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GREENING OF THE MULTILATERAL DEVELOPMENT BANKS? ASSESSING THE DEVELOPMENT BANKS' RESPONSES TO ENVIRONMENTAL ISSUES.

BY

JUDITH L. SPRIGINGS

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of MASTER OF ARTS.

DEPARTMENT OF POLITICAL SCIENCE

Edmonton, Alberta

Fall 1993

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled GREENING OF THE MULTILATERAL DEVELOPMENT BANKS? ASSESSING THE DEVELOPMENT BANKS' RESPONSES TO ENVIRONMENTAL ISSUES submitted by JUDITH L. SPRIGINGS in partial fulfillment of the requirements for the degree of MASTER OF ARTS.

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August 18, 1993

To my parents, John and Kay, for their support and encouragement

Abstract

This thesis assesses the general difficulties of trying to integrate the environment agenda--a social issue-- into the frameworks of quasi-independent, economic development institutions. Discussed and assessed are the environmental responses that the World Bank, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank initiated in the nineteen sixties through to the nineteen nineties. Contrary to some opinions, analysis shows that the barriers to implementation have been institutional and political, rather than procedural or technical. For these four multilateral development banks, internal constraints and simultaneous and conflicting external pressures have inhibited their environmental policies and behaviour.

Greening of the Multilateral Development Banks?

Assessing the Development Banks' Responses to Environmental Issues.

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Introduction

As experts continue to find further evidence strengthening the link between environment and development, it now seems impossible to deny and ludicrous to ignore the inter-relatedness of the two concerns. The efforts of the 1987 Brundtland Commission and the resulting 1992 Earth Conference in Rio have made sustainable development a readily referred to concept. Considering the current global dialogue on sustainable development, it seems timely that this thesis will discuss and assess the responses of four development-finance institutions to environmental issues.

A Brief History of the Environment and Development Issue

Prior to 1972, "people usually saw the environment as something totally divorced from humanity." (Eckholm, 1982: forward) Environmental concerns were generally viewed as something which might hinder development. As well, most environmental advocates did not try to reach out and answer global social issues. At that time, the global conservation movement for the most part focused on the need to protect endangered animals and establish parks and preserves. However, over the last two decades, there has been a fundamental shift in environmental and developmental thinking. An October 1974 symposium and the ensuing Cocoyoc Declaration signalled a change in intellectuals' attitudes, especially those who were environmental thinkers. As a result, environment and development are increasingly viewed as being complementary, that in some way development can improve the environment and vice versa. Many Northern conservationists have come to recognize development as a necessary prerequisite for successful conservation. New thinking on environment and new thinking on development have globally converged and defined today's concept of sustainable development.

To fully appreciate the evolution of the green movement, it is beneficial to recall the major environmental actions and events of the sixties and seventies. The sixties marked the first decade of growing and widespread public concern over environmental degradation. In 1962, ecology was not a word that aroused intense public debates, and thus did not yet represent a political force. However, at this time, Rachel Carson (1907-

1964), a writer and respected biologist, foresaw the ecological severity of the times to come. She enlightened the public to the fact that "it is our alarming misfortune that so premature a science has armed itself with the most modern and terrible weapons, and that in turning them against the insects it has also turned them against the earth." (Carson, 1973: 297) Essentially, her publication Silent Spring warned of the dangers of DDT and other pesticides and the damage that they would cause to wildlife. As a result, Carson's work helped to question the indiscriminate use of pesticides, to challenge the entire chemical industry, and to launch a popular movement to regulate pesticide use. Adding to the gravity of Carson's warning, these times were marked by a barrage of deadly pollution incidents. For Northern countries particularly, there were several disconcerting examples of the damage that could result from unwise environmental management, such as: the air pollution incidences in London and New York between 1952 and 1966; the fatal episodes of mercury poisonings at Minamata and Niigata between 1953 and 1965; the demise of aquatic life in some of the Great Lakes of North America; the death of birds caused by the unexpected side-effects of DDT and other organochlorine pesticides; and the massive oil slick from the wreck of the Torrey Canyon in 1966. (UNEP, 1982: 5)

In the late sixties, all these widely publicised events caused concerned groups in several Northern countries to react. The environment became a concern among the anti-establishment youth movement. Their environmental concerns were endorsed by some radical thinkers, who wanted "to overthrow industrial technocracy," and some conservatives, who wanted "to limit the effects of progress." (Clarke and Timberlake, 1982: 5) The common environmental cause united all three parties, and further highlighted the problems of uncontrolled pollution. As well, in general there was a growing realization of the interconnectedness of the planet; "radioactive fallout from nuclear bomb tests developed the idea of a shared atmosphere." (Eckholm, 1982: 4) For instance, students across the United States reacted to the series of environmental disasters by proclaiming Earth Day. At the same time, reacting to the grave concern spreading throughout the populace, Northern governments were also starting to identify the environment as a major global problem. For example, in Japan, a prolonged mid-

summer photochemical smog over Tokyo put environmental concerns on the national agenda and resulted in the development of a national program of action. As well, the Council of Europe proclaimed 1970 as "Conservation Year."

By the seventies, the "crisis of the environment" had become a topic for public discourse. Many people and governments grew anxious over the effects of pollution and feared that air and water pollution were becoming out of control. Attention became fixated on dying oceans, and declining whale populations. Public recognition of environmental degradation developed into a "doomsday view" of the environmental problem.

It was in this context that the international community opened an official dialogue on the issue of environment and development. Although several international bodies and organizations, such as the World Wildlife Federation (WWF) and the United Nations Education, Scientific and Cultural Organization (UNESCO) had previously attempted to open a dialogue, some critics viewed these efforts as "neither concerted nor sufficient." (Clarke and Timberlake, 1982: 6) Within the community of trans-national organizations, the first sign of an emerging environmental point of view was the 1968 UNESCO Biosphere Conference. (Wilson, 1971: 48) However, it was the Swedish resolution to the United Nations General Assembly that really triggered international awareness of the pending crisis. The proposal mandated a Conference which would attempt to initiate a global environmental protection effort. On December 15, 1969, the General Assembly unanimously agreed to hold a Conference on the Human Environment from June 5-16, 1972 in Stockholm, Sweden. This UN decision started the movement toward international recognition of the interconnectedness of environmental and developmental issues.

Coincidently, this was the end of the United Nations' first development decade and it had revealed a North/South clash that overshadowed the planning of the Conference. According to James Lee, the Environmental Director of the World Bank from 1970-1987, "to a large extent the concern with environmental issues has arisen out of the problems experienced by the industrially advanced countries." (Lee, 1972: 337) In the North, the environmental issue was initially defined as the conservation of wildlife.

Then, it was broadened to include pollution and such factors as depletion of non-renewable resources, economic growth, urbanization, depletion of species, lack of recycling, an agriculture dominated by monocultures, etc. (Clarke and Timberlake, 1982: 5) Concerning the main causes of the environmental crisis, the positions espoused by some Northern scientists ranged from Paul Ehrlich's argument of "too many people" to Barry Commoner's "radical" contention that "the nature of technology had gone wrong." (Clarke and Timberlake, 1982, p. 6) As for proposed solutions, Northern states often advocated the need for zero growth of the economy and population.

In the South there was a much different perspective on the pollution crisis. As one UNEP study (1982) commented, their "energy and resource consumption was not high" (p. 6) and "industrial pollution problems were localized." (p. 6) More important and noticeable was that "poverty was rife, expectation of life was poor, infectious diseases took a terrible toll, and human settlements commonly failed to provide the basic essentials." (p. 6) Southern states considered environmental concerns to be a marginal product of high-level economic growth and not a matter deserving such focused attention by the international community. Concerning the causes of pollution, they were unwilling to support Northern arguments. For them, zero growth solutions were not necessary. Southern spokesmen argued "their problem was too little rather than too much industry, and that some smoke in the air would be a small price to pay for lifting the multitudes from their gross deprivation." (Eckholm, 1982: 4) Overall, they believed that the environment was a Northern concern which was intended to divert them from the pressing need to develop. They saw pollution "as the privilege of the rich nations", and pollution control as an impediment or "brake" on Southern development. (Clarke and Timberlake, 1982: 6) Despite the obvious clash of opinions and ideas on environment and development, the United Nations decided to proceed with Stockholm. In order to find common ground between Northern and Southern environmental perspectives, a preliminary meeting, the Seminar on Development and Environment, was held in Founex, Switzerland on June 4-12, 1971. At this meeting 27 experts, scientists and development experts, largely from the South, debated the relevance of the environment to Southern countries. The Founex meeting concluded that environmental problems

result not only from the development process itself, but also from the lack of development. Poor water, malnutrition, disease and natural disaster play a role in environmental degradation. Consequently, it was suggested that environmental goals provide a new dimension to the development concept, thus requiring an integrated approach to environment and development. Some critics maintain that despite UNEP claims, the resulting Founex Report did not demonstrate that "development and environment were but two sides of the same coin." They argue that the report virtually ignored the fact that poverty pollutes and the poor have no choice about it. They say that Founex was only an attempt to reassure the developing nations that they would not suffer additional costs, whether economic or social, because of environmental concerns. (Clarke and Timberlake, 1982: 7) No matter how one interprets the agenda of the meeting, Founex produced one of the most important development documents for Stockholm and it calmed Southern countries' fears enough so that they joined the 1972 conference.

Because it "provided a focal point for the gathering environmental concerns of the 1960's," (Eckholm, 1982: 1) Stockholm ushered a new era of environmentalism into world consciousness and governments. The Conference signalled a turning point, a fundamental shift in environmental thinking. Barbara Ward's and Rene Dubois' UN commissioned paper Only One Earth: The Care and Maintenance of a Small Planet inspired the conference slogan "Only One Earth." The twelve key issues discussed were: acid rain, carbon dioxide and climate, heavy metals pollution, DDT, deforestation, oil spills--at sea, fresh water, ozone layer, desertification, whales, regional seas, and global models such as "limits to growth." The resulting recommendations focused on six major subject areas: human settlements; natural resource management; control of general and marine pollution; educational, informational, social, and cultural aspects; and development and environment. Stockholm produced a Declaration, 26 principles, and an Action Plan of 109 recommendations. In practical terms, it led to the establishment of the United Nations Environment Program (UNEP) and national environmental protection agencies in many Southern countries. As well, by signing the Stockholm Declaration, the participating nations undertook to ensure that the international organizations play a coordinated, efficient and dynamic role in the protection and

improvement of the environment.

A Brief Overview of the Multilateral Development Banks

The progression of the green movement and the Conference on Human Environment influenced certain international development-finance institutions, such as the World Bank, the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), and the African Development Bank (AfDB). These multilateral development banks (MDBs) became motivated to officially recognize and respond to environmental issues. In fact, Robert O. Blake of the International Institute for Environment and Development (IIED) asserts that within today's MDBs "people are beginning to come into positions of authority who were part of the environmental revolution of the 60's and 70's. They are beginning to make a difference all the way through." (Conservation Letter, 1984: 2) However, developing an environmental response has not and is not an easy task for these development-finance institutions.

Most MDBs' main aim is to stimulate and accelerate the economic and social development of their Southern members through multilateral lending. In the global financial system, MDBs play an active intermediary role between international capital markets and Southern countries. The banks' mutual development goal is to strengthen the economies of recipient nations so these countries meet their financial needs increasingly from conventional sources of capital and less from development bank resources. Lending rates and conditions vary from "hard window", non-concessionary terms of repayment over twenty years with limited grace periods and near market interest rates, to "soft window", concessionary terms of repayment over 50 years with only a small annual service fee.

These MDBs are owned by regional and non-regional member governments, which provide the banks' capital resources. They attain funds for hard loans by selling securities to investors and relying upon government contributions/replenishments to finance transactions for soft window operations. These banks set a profit margin that enables them to cover operating costs and maintain high credit ratings. When the banks do request additional financing from donor countries, they seek funds that are pledged

in two forms, "paid-in capital" and "callable capital". Paid-in capital is money that the member nations actually pay to MDBs. Member governments provide contributions to the banks' coffers by annually subscribing to or buying a set number of MDB capital shares. These paid-in revenues become the freely available capital that is used for bank operations. In exchange for shares of stock, callable capital is money pledged by member nations, but not actually paid to the banks. This part of national subscriptions is due only in the event that an MDB can not pay the money owed to outside investors. Callable resources can represent 90% or more of a bank's capital structure, (CIDA, 1988: 3) and it is used as a guarantee for the time when the bank is borrowing funds from capital markets. Essentially, callable capital gives most of these MDBs a triple A credit rating, which in turn allows them to borrow money on better terms. As lending institutions, MDBs are important doors for attaining development finances, especially for poorer developing nations which have limited access to private capital markets.

As opposed to other financial institutions, MDBs can be more effective channels for mobilizing and transferring financial assistance to developing nations. Theoretically, these banks should be insulated from direct political, economic and commercial interests of individual member nations. Allegedly, they can afford to take a more independent approach on the financial, operational, and developmental policies that they follow. As opposed to bilateral agencies, MDBs may be able to distribute aid in a more efficient manner that is apolitical and untied. As opposed to individual governments, these banks may be better able to absorb the high risks associated with large development projects. Because they are staffed with professionals who supposedly have more knowledge about specific regions and specific projects, MDBs may be better capable of analyzing how each project fits into the macroeconomic and microeconomic schemes of member nations and various regions. Many Northern nations now deem these banks as offering the most effective means of helping Southern nations with external debt.

No other international or bilateral institutions have more influence in development financing and policy in the South than these four MDBs. According to one estimate, the World Bank, the most established and widely recognized MDB, accounts for 69.8% of the total assistance provided by MDBs. (Sierra Club, 1986: 11) Although less well-

known, the other three regional development banks also play pivotal roles in Southern development. Of total MDB assistance, the IDB accounts for approximately 15.3%, the ADB for 10.6%, and the AfDB for 4.2%. (Sierra Club, 1986: 11) In 1987-88 alone, MDB loans and credits totalled US $26 billion. (CIDA, 1988: 62) By being responsible for disbursing more than 20% of all international development assistance, these four MDBs represent the largest development lenders in the world. Potentially, these four MDBs have significant opportunities to influence the global environment and development agenda.

MDB-backed projects, particularly mega-projects, have tremendous impact on patterns of development. Their projects often require that other financial parties become involved. So, MDBs act as catalysts for inciting the mobilization of financing from such external sources as national aid agencies and private banks. Essentially, they create what is known as "the multiplier effect." For every 1 dollar lent by the World Bank for projects, more than 2 dollars are raised from other sources; for every dollar that the IDB lends, nearly three are raised elsewhere. (Sierra Club, 1986: 12) By having such pivotal financial influence in the approval or demise of Southern projects, the MDBs are provided with many opportunities to influence the direction of the global development agenda.

Project loans are not the only elements which allow MDBs to influence patterns of development. The greatest leverages these MDBs possess are structural adjustment and sector lending. These types of loans are not related to specific projects but are aimed at particular sectors or at economy wide reform. The theory behind this type of lending is that these loans can make sectors or entire economies more efficient. The macroeconomic conditions attached to loans can require Southern countries to modify domestic policies and priorities, and can affect entire areas of economic activity, such as agriculture and energy. Second, the MDBs can exert their influence worldwide by funding research, initiating technology transfers, and providing training and instruction in using new technologies. As well, these MDBs have the ability to persuade Southern governments to establish entirely new government agencies, like development finance banks, to carry out projects. Finally, their ability to gather and analyze such detailed

economic information gives the MDBs an overwhelming influence in shaping the planning among commercial lenders, aid agencies, and borrowing nations. For instance, the World Bank not only performs a Country Economic Memoranda to analyze the macroeconomic situation of each borrower, but it also prepares country programming papers which describes its long term plans for lending in a certain country. Similarly, the other MDBs prepare a variety of papers summarizing the economic situation of each borrowing country. In their sector policy papers, the MDBs set out their priorities for whole areas of economic activities such as health, education, agricultural land, settlement, and forestry. Not surprisingly, because they have become the most important planning documents for certain governments, MDB-sponsored documents and studies wield tremendous power within some countries.

Many observers have argued that because they can have tremendous impact on patterns of development, these four banks have a responsibility to ensure their influence remains positive. With the union of environmental and developmental thinking, it is no longer unrealistic to expect these banks to be environmentally responsible and accountable. They should ensure that all their loans, big and small, envelope the concept of sustainable development.

This thesis will assess the general difficulties of trying to integrate the environment agenda--a social issue--into the framework of a quasi-independent economic development institutions. In addition, it will indicate that the sharing of commonalities does not preclude the presence of differences among the MDBs. Although they have been motivated by the World Bank's example, the regional banks have developed their own set of environmental responses. Yet, even among the regional banks there are nuances, as each institution must contend with its own unique set of regional constraints. Accordingly, a wide range of literature has been consulted regarding the topic of the MDBs and the issues of environment and development. The literature utilized ranges from reports of independent news sources such as the New York Times to institutional reviews and critical studies produced by non-governmental organizations, academics, and the banks to bank publications.

Specifically, this thesis will account for the internal and external factors which

have affected the multilateral development banks' environmental policies and behaviour from the sixties to the nineties. The first two chapters will provide context that highlights the difficulties and successes of each institution's environmental approach. Chapter One will review and assess the MDBs' early environmental responses, from the sixties to the mid-eighties. Chapter Two will review and assess the MDBs' later responses, from 1987 to the present. In Chapter Three, there will be an analysis of the internal and external factors which may inhibit the MDBs' environmental responses. In addition, these institutions will be compared and assessed.

Chapter One

The Early Period of Environmental Involvement

Based on popular reactions, it may appear that the multilateral development banks (MDBs) have only demonstrated more concern and involvement in the environment since the late 1980's. However, this belief is not accurate because it neglects the banks' earlier environmental activities. For the MDBs the first phase of their work on environmental issues began in the 1960's, continued through the 1970's, and ended in the mid-1980's. This chapter reviews and assesses the MDBs' initial involvement in the environment issue. Part of the intention is to explain how, when, and why the banks became involved in the issue; and why and how the banks' involvement changed.

It is useful to evaluate the nature of the banks' early environmental responses and consider whether their actions were adequate in meeting the environmental concerns of this period. In providing a summary of the official responses of the four multilateral banks during the 1960's and 1970's and reviewing the relative influence of events, this first section will identify the primary reasons why the banks did/did not change their environmental policies during this period. Overall, the analysis will suggest that because these policies and practices were insufficient responses to ecological problems and concerns, the MDBs met with failure in this early period.

The MDBs' Initial Environmental Responses

For the MDBs, the early nineteen seventies marked the beginning of their official recognition of the issue of the environment. At this time, the MDBs became motivated by political, economic, and intellectual considerations that had developed out of the late sixties.

Combined with the increased presence of an international environment movement in the late sixties, certain political considerations were a significant factor influencing the MDBs in the early seventies. The MDBs, especially the World Bank, began to see and feel the political pressures exerted by outside influences. Specifically, they were influenced by the actions of the United Nations, the United States Congress, and several

Northern governments. The United Nations' 1968 announcement, mandating the Conference on Human Environment, was a major catalyst among these MDBs. As well, the fact that the American Congress passed a National Environmental Policy Act (NEPA) in 1969, and that other Northern governments began to review the issue and sponsor national environment actions added to the political pressures felt by the MDBs. The banks began to fear what impact these outside parties could have on restricting MDB actions in the development field. So, after 1969, in what several critics have called a "preemptive" move to preserve their own political power (Le Prestre, 1989: 22), the MDBs attempted to respond to the environment issue. They wanted to stop criticism before it started. Thus, while the regional MDBs sent representation to the Stockholm preparatory sessions, such as the 1971 experts meeting at Founex, Switzerland, the World Bank indicated an interest in providing leadership and initiated unprecedented environmental steps without waiting to be requested to do so. So, with much at stake, political fear is a partial explanation for the World Bank's surprise announcement to create an Environmental Unit in 1970--two years before Stockholm. Its action can be viewed as a self-preservation move that would possibly limit other UN agencies from further encroaching on the World Bank's stake in the development field. The announcement by World Bank President Robert McNamara reduced the World Bank's fears of political competition and vulnerability. As well, this action helped all the MDBs to postpone dealing with the environment issue in its entirety, at least for another ten years.

In combination with political factors, economic considerations also came to bear pressure on the MDBs. The MDBs realized that more and more project lending was going towards alleviating ecological problems that earlier projects had created. Often, projects operated with long term losses. For instance, with dams, whole scale problems were being identified. Often, they "silted up, modified the hydrology of entire watersheds, and disrupted human economic and social activities downstream." (Le Prestre, 1989: 20) Because of the past neglect of long term environmental considerations, several MDB development projects now had serious agricultural, health and social implications that appeared to be working against the banks' purpose, the

promotion of economic development. Within MDB projects, some of the negative effects that caused concern were: the spread of diseases, such as river blindness and malaria; the loss of valuable topsoil; the increased presence of air pollution; the forced and often unsuccessful migration of indigenous tribes; and, the overgrazing of land following the forced resettlement of nomadic peoples. (Consult Adams, 1991) Although economics and short term gains were the MDBs' main concerns, it became evident in the early seventies that long term social and environmental costs were becoming increasingly relevant and required more consideration. After critically reviewing the projects of the nineteen fifties and nineteen sixties, in the early nineteen seventies the MDBs realized that a lack of environmental standards was a major reason for their history of hampered projects. The MDBs' decision to participate in the UN Conference marks the realization that it was no longer economically efficient to ignore a project's long term ecological effects. In order to attain sustained success in their development projects, the MDBs agreed it was time to consider reworking their environmental procedures for appraising projects.

As well, in the early seventies intellectuals helped to accentuate the pitch of the political and economic pressures bearing down on the MDBs. Although it may not have been a pervasive influence within all the banks, the intellectual factor played an effective role in influencing the actions of the MDB trendsetter, the World Bank. One researcher, Le Prestre (1989), provided evidence that the President, Robert McNamara, was inspired to lead his bank into action because of his personal relations with intellectual circles. Specifically, Le Prestre pointed to "his close association with the Ford Foundation in the late fifties" (p. 22) and the "profound influence" (p. 23) of his friendship with Barbara Ward, who helped to coin the 1972 slogan "Only One Earth" and who established the International Institute for Environment and Development (IIED). For the intellectuals, McNamara was the best person within the MDBs to try to influence because "the [World] Bank reflects the ambitions, objectives, personality, and prejudices of its presidents more than most other institutions." (Hoffman, 1973: 16) Although increased intellectual contacts created the opportunity for McNamara to receive new concepts of environment and development in a more personal manner than his staff, MDB staff and senior management were also inspired by intellectuals. Specifically, as Le Prestre pointed out,

the staff were influenced by the intellectuals' endeavors to develop "global models", such as those espoused in the 1970 MIT/SCOPE document "Critical Environmental Problems" and the 1972 report "Limits to Growth." (p. 23)

Considering the overwhelming presence of these political, economic, and intellectual pressures/influences, it is not surprising that, in the seventies, the MDBs rethought the relevance of environmental concerns in their development projects and tried to incorporate the environment into their framework. Yet, did the 1972 UN Conference and other early international actions truly motivate the MDBs to be more environmentally accountable for their actions? Commendably, because of Stockholm, the MDBs at least recognized that the environment was a relevant consideration in their evaluation of development projects. However, among the MDBs, it appears that some MDBs' environmental innovations did not go as far as others in this early period and few went far enough to satisfy many of the banks' critics.

The Initial Environmental Response of the World Bank

As the first development-finance institution to take steps in dealing with environmental concerns, the World Bank was the leader among the multilateral development banks in this early period. At the time that general, global concern for the environment was developing, the World Bank was provided with a window of opportunity for addressing this issue. Nineteen sixty-eight was a year of change for the World Bank; it inaugurated a new president and it also experienced a rapid expansion of staff. Because there were new people with new energy, who were also potentially more willing to respond to the challenge of a new issue, Robert McNamara's presidency allowed the necessary latitude needed to respond to the environment issue. (Le Prestre, 1989: 65) In addition, the 1969 Pearson Report delegated to the World Bank the power to implement the Report's recommendations concerning the United Nations second decade of development, a responsibility which further encouraged the World Bank to officially recognize the link between environment and development. Finally, after the identification and review of several environmentally disastrous development projects, which it had initiated in the fifties and sixties, the World Bank acknowledged the

necessity of creating a special unit to deal with environmental concerns.

Mason's and Asher's 1973 study commented that "the IBRD has not, at least until recently, paid enough attention to the ecological or environmental effects of the projects it has financed." (p. 259) It was in 1970 that the World Bank created the position of environmental advisor, which had " a strong mandate to review and evaluate every investment project from the standpoint of its political effects on the environment." (McNamara, 1981: 197) James Lee was hired and set the environment wheels in motion. Later in 1970, in an address to the United Nations Economic and Social Council, Robert McNamara publicly announced the creation of an environment office. By 1973, the environmental unit's first instructional document on environmental precautions, The OEHA Environment Handbook, was completed. The handbook had been "designed to provide further guidance in the detection, identification, and measurement of environmental and related human ecological effects." (Stein and Johnson, 1979: 13) In 1974, it was revised and its accessibility was improved when it was published in Spanish, French, and English. Although "written at a very general level" and ignoring the context of the South, some observers felt that the handbook's "importance may be in its innovative quality rather than in its overall effectiveness." (Stein and Johnson, 1979: 13) In general bank operations "environmental aspects were also more frequently mentioned, identified in detail, and discussed in sector policy papers." (Le Prestre, 1989: 28) Then, in 1974 the Executive Directors adopted a recommendation that allowed environment projects to become a new lending sector for the World Bank. By the early eighties, the World Bank had assumed a leadership role in promoting environmental awareness among the MDBs. For instance, the World Bank, in collaboration with the UNEP, wanted to recommit development-finance institutions to upholding the promises made at Stockholm. Among the regional banks, it actively supported and promoted the 1980 "Declaration of Environmental Policies and Procedures Relating to Economic Development" and encouraged them to join the group implementing the Declaration, the Committee of International Development Institutions on the Environment (CIDIE). (For a full discussion see p. 39-40.) The Bank included a new set of "Environmental Policies and Procedures" in the May 1984 update of its Operations Manual, an internal rule book

distributed to all staff. This marked the first inclusion of environmental concerns into World Bank operating procedures. (Rich, 1985: 709)

Of all the MDBs, the World Bank was best able to respond to the pressures exerted by external factors. It had the resources, the staff, the networks, and the experience necessary to succeed. Commendably, without concerted public pressure, the World Bank voluntarily became the first MDB to assign environmental responsibility to a specific staff member and unit. These changes required and led to a shift in the Bank's environmental focus. This is not to say that the World Bank had blatantly ignored the environment in previous years. However, in early projects, the Bank had only paid attention to the "environmental aspects internal to the project, those affecting the short-term success of the project itself." (Le Prestre, 1989: 19) In the seventies, the World Bank reevaluated its environmental stance and decided "to expand the scope of project analysis to include aspects external to the project itself." (Le Prestre, 1989: 19) The Bank effectively overcame any resistance from its recipient governments because it "acceded to the argument of additionality and agreed to provide funds to cover any additional costs directly attributable to its environmental standards." (Stein and Johnson, 1979: 12) Overall, these World Bank actions were major breakthroughs for MDBs' dealings with the environment question.

However, an analysis of this environmental leader also helps to indicate the general inadequacies of the MDBs' environmental response in this early period. In fact, at the same time that its top administrators believed the Bank to be acting progressively on the environment issue, the World Bank had begun a self-imposed sabotage of its environmental intentions.

First, the World Bank quickly short-circuited its success by limiting the effectiveness of its first environmental initiative, the special environmental unit. The mitigating circumstances began with the decision of how to incorporate the unit into the Bank's structure. It was decided that, rather than reworking the administrative structure, adding a new section would be the least disruptive solution. Unfortunately this meant that the environmental unit and its concerns were never fully incorporated into bank operations. From the start, it was destined to be an adjunct unit. The second mitigating

factor was that the environment was not an issue that senior adminstration would allow to stand on its own in the Bank's institutional framework. The World Bank created an office that would usually be responsible for the environment and one other issue. In 1970 the Office of Environmental Health Affairs (OEHA) was established. With the removal of health concerns in 1973, the unit's name was changed to the Office of Environmental Affairs (OEA). Then, with the addition of science concerns in the 1980's, it was renamed the Office of Environmental and Scientific Affairs (OESA). The third mitigating factor was that the unit was too small, understaffed, and limited in influence. In light of the World Bank staff expansions that began in 1968, this unit was in some ways a disappointing creation. First off, it was only in 1972 that James Lee was officially appointed as the Environment Director. By the eighties, the OESA had just five to seven professionals, three of which were responsible for reviewing the environmental aspects of all World Bank projects. Stein and Johnson (1979) thought the workload of OEHA staff was "awesome" and this "inevitably leads to occasional hurried and superficial judgements." In fact, one staff member was reported as having reviewed "over 100 projects in forty-five days and has made recommendations on sixty-five of them."(p. 13) As well, the 1973 decentralization of sectoral expertise restricted the environmental specialists to this unit and thus prevented them from diffusing throughout the organization, such as to regional offices. In addition to the understaffing, the unit's effectiveness was furthered hampered because it was charged with only advising, not directing, the Operations-Policy Vice-President. From the start, the World Bank's environmental unit was given limited capabilities and it held very little institutional power. For instance, as Stein and Johnson (1979) note, it was often "impossible for OEHA to become systematically involved in the earlier two stages of project identification and preparation." (p. 13) Instead, OEHA staff came in at the appraisal stage, the third step of the project cycle. Except for the occasional special mission, they did not usually participate in site selection and project design. This practice severely constrained any environmental input in the early and most ecologically critical stage of every project.

The second reason the World Bank did not succeed in this early period is because

it did not allow the environment issue to affect its basic developmental principles. It allowed this issue to influence just the technical matters of development. The Bank's approach implied that it had fulfilled its responsibility once it had tried to mitigate as much environmental damage as possible. It was willing to remove and improve the negatives associated with the technological aspects of its development projects. But the World Bank's environmental review did not question the rationale of a project. The environmental review process was there only to ensure the proper implementation of projects, not question whether a project should be attempted or if current lending should be continued. Despite the end use technology that was put into place to make its projects appear less polluting, in this MDB it was still business as usual. The Bank maintained the same method and type of lending as in earlier days, when mega-projects such as dams were common. In the early period, the World Bank refused to accept environmental responsibility in the fullest sense. It initiated an environmental response that was purely technical in its application and it believed reform of its developmental principles was an unnecessary measure.

Third, the World Bank's environmental response was poor because the World Bank's staff generally remained hesitant or resistant to this new policy initiative. Lower level bureaucrats were responsible for the implementation of new policy and their support was required before any environmental policy could succeed. From the start, the environment was an issue initiated and discussed at the Bank's top levels, not from below. The creation of the environmental unit had been an imposed initiative from the Bank's President, and not a consensual decision from within the institution. So, no matter what progressive moves senior management made on the environment issue, these measures were usually rendered ineffective in field operations.

It appears that, despite attempts at positive action, the World Bank failed to provide an adequate response in the early period of the environment issue. What actions it had taken, such as organizational additions, were limited. As one observer noted,

> The World Bank has prepared environmental guidelines, but existing regulations and staffing are insufficient to ensure their systematic use and early integration into project design. Moreover, the existing guidelines focus almost exclusively

> on the impacts of industrial and processing activities, while most of the Bank's lending is for agricultural development, dams, irrigation systems, and roads. (Rich, 1985: 708)

The World Bank had not really worked out a comprehensive environmental plan. There was no whole-scale change to fully incorporate environmental concerns into the institution's framework. The World Bank was content to make environmental concessions that could be added on to its present operations, but that would not change its established practices. Some World Bank critics were aware of positive actions within certain areas of the Bank. Le Prestre (1989) indicates that they had given a positive assessment to the OESA and to other scattered units, such as the forestry unit. Most of the criticisms were directed toward the Bank as a whole, but "especially toward the regional offices and the leadership." (p. 188)

The Initial Environmental Responses of the Regional Banks

In the seventies, the regional banks attempted to deal with the environment question as well. The UN Conference on Human Environment was a significant event which helped them recognize that longer term environmental issues were being sidestepped. They began to accept that economic development often had adverse impacts upon the natural environment and that they had responsibilities to mitigate these effects. In addition, the World Bank's early environmental activities had raised the environmental consciousness of the regional MDBs. Because of the World Bank, they understood that having standards that only assessed the internal, not external, environmental impact of projects was an inefficient and ineffective way to respond to the issue. However, even though they started to effect change in their environmental policies in the seventies, the regional banks' initiatives were even more limited and slower than those of the World Bank.

Inter-American Development Bank:

It was only in the late seventies that the Inter-American Development Bank (IDB) began to recognize officially the importance of environmental issues in the Latin

American region. During its early years it really had no official policy for environmental protection and improvement, a fact openly admitted in a March 1989 IDB publication. The Bank claims that the lack of official policy did not stop it from actively participating in the 1972 Stockholm Conference. (IDB, 1989: 2) Around 1978 the IDB became environmentally active internally. It prepared and circulated among its staff a draft environmental policy paper. This document supposedly resulted "from an intensive internal review and external consultative process which was headed by a senior bank official." (Stein and Johnson, 1979: 31) Although not without some internal debate, the "Environment Management Policy" was adopted by the IDB Board in 1979. For the IDB, its passage was an important victory. It meant that the IDB had an environmental action plan in place before it signed the February 1980 "Declaration of Environmental Policies and Procedures Relating to Economic Development" and sought membership with the CIDIE.

The Stein and Johnson 1979 study for the IIED condemned the IDB for "the absence of a top level commitment" and for having " not formally announced an overall policy or procedures for including environmental factors in loans." (p. 31) On a more positive note, they noted that a consultant was developing environmental checklists for field and headquarters staff in the IDB's transport sector. They reported that this initiative was expected to motivate future sectoral checklists. Of most importance, they pointed out that due to internal IDB concerns "there seems to be little possibility that an environmental office along the lines of the World Bank OEHA will be recommended." (p. 32) This observation proved to be correct. The IDB's decided not to create an institutional unit, but instead delegated environmental responsibility to a committee, which was more of a discussion group than a policy making unit. In 1983, the IDB Environment Management Committee (CMA) was established "in order to avoid environmental oversights of the past and to improve the Bank's performance." (IDB Environmental Committee, 1989: 2) This Committee assumed responsibility for "ensuring proper management of the environmental dimension of investment projects submitted to the Bank" (IDB Environmental Committee, 1989: 2) and attempted to review the environmental impact of IDB operations.

In the early period, the IDB made some progress in responding to the environment issue. However, in 1985, Bruce Rich criticised the IDB because it had "no internal focus of environmental responsibility," nor had "it employed any professionally trained environmental staff, other than a geographer hired in 1983 as a soil specialist." (Rich, 1985: 710) Interestingly, Stein and Johnson (1979) have offered three possible factors which may have inhibited the IDB's early environmental response. First, the pressure to approve projects and loans "could be partially responsible" for what Stein and Johnson consider a historically "uneven" (p. 26) response to environmental issues. Second, the IDB's response was influenced by its Latin American members who "until quite recently" have been "extremely wary of environmental issues." (p. 26) Stein and Johnson explained that some officials still associated environmentalism with "a neocolonialist strategy" (p. 26) to slow Latin American development. Third, unlike the World Bank, there was an "absence of a high level mandate from its president or board." (p. 27) When initiating its early environmental response, the IDB spent a lot of its energy dealing with institutional and regional constraints. These diversions effectively reduced the time available for developing a comprehensive environmental action plan, and helped to weaken the IDB's early environmental responses.

Asian Development Bank:

After recognizing the link between environmental degradation and the promotion of economic development, the Asian Development Bank (ADB) began to get involved in the environment issue in the late seventies. The Bank produced two papers discussing environmental concerns. A 1978 paper summarised the nature of environmental problems in developing member countries (DAC) and discussed national and international efforts to remedy them. It recommended that "the ADB should systematize its approach to environmental issues and incorporate environmental concerns into each stage of the project cycle." (Rees, 1987: 2) In December 1979, a second paper made specific recommendations on how a systematic approach to environmental issues might be incorporated into the ADB's operations. This paper "recommended the recruitment of an Environmental Specialist to assist the ADB in the work and to determine the

appropriate pace at which environmental considerations should be introduced." (Rees, 1987: 2) In January 1980, the ADB Board held a discussion of "Environmental Considerations in Bank Operations" and accepted the general approach that the paper offered. The Bank had committed itself to promoting environmentally sound development and agreed on the use of five broad policies. The policies were as follows:

- instituting procedures for the systemic examination of all the Bank's development activities-including policies, programs, and projects-to ensure that measures are adopted to minimize environmental problems;

- cooperating with governments and other organizations to ensure that appropriate environmental measures are incorporated in economic development activities, and to provide technical assistance to develop the indigenous capacity of DMCs;

- considering project proposals that are specifically designed to protect, rehabilitate, manage or otherwise enhance the human environment and the quality of life;

- supporting the training and informing of operational staff in environmental aspects of economic development;

- initiating and cooperating in studies leading to improved project appraisal methodologies, and preparing and disseminating materials to provide guidance on the environmental aspects of economic development. (ADB, 1991: 3)

Shortly afterwards, in February of 1980, the ADB's President signed the "Declaration of Environmental Policies and Procedures Relating to Economic Development" and the ADB joined the CIDIE. In nineteen eighty-one the ADB finally enacted an earlier recommendation and appointed an environment specialist. A second environment specialist was recruited in mid-1982. It was also at this time that the institution began the official formulation and implementation of environmental policy and protection.

As in the case of the IDB, the ADB also experienced in its early years a shortage of staff relative to increasing financial resources and pressures to hasten its rate of development. This situation constrained the ADB's environmental response. Yet, the

ADB seemed to handle the environment issue in a different manner than the IDB. In 1985, Bruce Rich noted that as compared to the IDB, the ADB "has made a more substantive commitment of resources and staff to implementing the 1980 Declaration." Yet, he believes "the Asian Bank's staff commitment to environmental planning is small compared with the size of the institution and the scope of its activities." (p. 71) This is justified criticism. By hiring and expecting two experts to guide all their environmental operations, the senior administration's decision kept environmental responsibility limited to individuals and prevented it from being transferred to a larger internal discussion group or an official unit. This action may have inhibited the promotion of environmental dialogue within the ADB.

African Development Bank:

From the 1960's until 1983, the African Development Bank (AfDB) provided a limited environmental response. Prior to the 1972 UN Conference, the AfDB sent a representative to Founex in 1971 and it was involved in the regional seminars on the environment for Africa. Bank documents state that since then, "the AfDB has made a commitment to assist member countries in their efforts to reverse the environmental damage which the continent is experiencing." (AfDB and AfDF, 1990: 1) In 1981 the Bank reaffirmed its support for the principles and recommendations set forth in the 1972 UN Conference by signing the "Declaration of Environmental Policies and Procedures Relating to Economic Development" and joining the CIDIE. Then in 1984, with outside financial assistance, the AfDB managed to hire one environmental specialist.

Overall little evidence can be found that indicates any development of a formal environmental policy within the AfDB during the early period of the environment issue. In fact, even though the other three MDBs signed the 1980 Declaration, the AFDB waited for another year to pass before it finally committed itself to this international document. However, the AfDB should not be judged too harshly. Of all the MDBs, the AfDB environmental actions and policy were most restricted by the limited capacities of this institution. As the polar opposite of the World Bank, the AFDB had the fewest resources and considerably less experience in the development field. Its initial

environmental response could not even compare with those of the IDB and the ADB.

The General Results of the Early Period

In the early period, it appears that the MDBs did not ignore the environmental question and that they tried to effect change. Nineteen seventy-two marks an evolution in MDB thinking. Stockholm was the first in a series of major United Nations Conferences held in the 1970's and was said to be "imbued with unique enthusiasm and hope." (Eckholm, 1982: 4) However, after Stockholm, the question remained if there was the political will to carry forward. One assessment of this time was that "the World Bank and the IDB have developed a greater environmental awareness and sophistication than other development organizations." However, in general, it was noted that a "wide gap remains between the increasingly alert concern of individuals and the official response of most institutions." (Stein and Johnson, 1979: 133) It appears the MDBs lacked the necessary political will. What efforts the banks did make towards developing their environmental policies were very slow moving. Environmental policy trod on politically sensitive areas and thus, before real results could be seen, required a continual education process and reminders and an investment of time and patience. At this time, it was easy and commonplace for environmental opponents to argue that the MDBs had been created to promote economic development and that it was difficult, if not impossible, to incorporate the non-economic environmental issue into the articles of agreement.

From the seventies until the mid-eighties, the MDBs were able to continue playing the environment and development game their way and were able to keep their environmental responses very limited. In this early period, the MDBs did not fund environmental projects solely for the good of the planet. Environmental projects were not seen as good in themselves but a necessary step for the expansion of basic needs. These projects usually overlapped into six areas of basic needs, which included nutrition, education, health, sanitation, water supply, and housing. Thus, the traditional MDB approach to environmental planning and management was to fund environmentally-oriented projects such as water supply and sewerage, urban renewal and reforestation or

to ensure that the components of other projects were designed to mitigate adverse environmental impacts. By adopting and maintaining a broad definition of the environment, the MDBs could sponsor a lot of projects that had "environmental" perks. Their practice was to approve the lending and then look at and include environmental considerations. Even if the agreed-to environmental standards were not implemented in their projects, the Banks remained very resistant to halting any loan disbursements.

The MDBs did not change their priorities and principles toward the environment, and they viewed and dealt with this issue solely as a technical matter. By ensuring proper implementation, they tried to remove the environmental negatives in projects. At this point the MDBs were still not ready to question the rationale of projects through environmental review. When sponsoring development projects, their intent was to internalize environmental concerns into economic decisions. However it remained difficult for them to quantify, financially and statistically, the costs and benefits of their environmental policies. In addition, the environment was an issue that Northern and Southern countries disagreed on, so the MDBs prudently did not force the issue. As well, the extremism of many environmental positions caused the Banks to back off the issue.

Overall, in the early period, the MDBs' intent was to deal with the question of the environment without causing harm to their traditions of lending. This practice led some of the banks to be too conservative in their statements and actions on the environment issue. The MDB approach to the environment issue was not revolutionary, but evolutionary. Essentially, the banks' responses to environmental issues, their environmental discussions and policy development, was slow and indirect. Their tendency was toward gradualism and incrementalism of policy. Within the MDBs, this resulted in the application of a crisis management technique, an ad hoc project-by-project approach, rather than the implementation of comprehensive environmental policies.

This piecemeal approach that the MDBs used to address the environment question remained a sufficient mode for years. However, in the mid-eighties the MDBs were forced to change their ways. Public pressure of the 1980's caused the MDBs to realize that they could no longer afford the high stakes required to keep control of the game.

It was time for bargaining and compromise with their critics. MDBs were forced to realize that they needed an approach which integrated environmental and natural resources planning and management with economic and social policy and development programmes and projects.

Popular Reaction and Political Pressure

This second section will review and discuss the factors which influenced the MDBs in the nineteen eighties. As in the seventies, certain factors motivated the MDBs in the eighties. Conceding to an era of harsher realities, the MDBs actions came to be overwhelmingly influenced by economic and political considerations.

For the MDBs, tough economic times played a major role. With the advent of oil and grain price shocks, the international economy had become more unstable. As well, the world witnessed a tremendous growth in world debt and the advent of a global recession. Unfortunately, tough financial times provided an opportunity for tough political measures to be taken by the MDBs' donor governments. For instance, MDBs' agendas were greatly influenced by the election of a conservative and critical American adminstration headed by Ronald Reagan. For instance, one observer noted that, the World Bank "the accession of Ronald Reagan to the presidency means that for the first time in its lending history, the support of the US executive branch for continued expansion of the World Bank is in question." (Payer, 1982: 44) The most serious side effect was that an "ambivalent or divided executive [would] not be able to strong-arm Congress into voting fresh billions of dollars" for the MDBs. (Payer, 1983: 364) In the eighties, the American Congress was actively looking for ways to cut its contributions to multilateral agencies. The environment issue presented such an opportunity.

As well, in the eighties, the environment had become a hot political issue among the populace. The green movement, which had started on the national level, was now spreading to the international arena. There was a growing international initiative in favour of global and Southern environmental protection. However, unlike the seventies, environmental supporters were calling for real political action on the environment. For many Northern governments, to support environmental initiatives was to show politically

correct behaviour. Depending upon how a politician answered this sensitive issue, s/he may or may not be elected or re-elected. In the case of the MDBs, its donor governments and NGO environmental critics began using environmental issues as a stick to change the banks' behaviour. As environmental concerns became more politicized in the 1980's, the banks began to be scrutinized more often and more critically. Slowly, economic and political factors melded, pressures began mounting against the MDBs. They received fewer appropriations, were forced to pay higher costs to repair environmental damage, and were experiencing a loss of power. These were the new realities of the MDBs' policy context.

Because MDBs are the most important international development-finance institutions, it is not surprising that in the eighties, certain groups felt it was very important that these MDBs should be forced to adhere to a sound policy of development. The MDBs' critics were a conglomerate of various interested parties. Among the MDB critics were: ad-hoc groups; registered non-governmental organizations (NGOs); MDB donor governments such as the American Congress, the German Bundestag, and the British parliament; and Inter-Governmental Organizations (IGOs) such as the United Nations Environment Program (UNEP).

The NGO community provided the broadest range of critics. The most active lobbyists of the American Congress, the World Bank, and the IDB were the Washington, D.C. based NGOs. Some of them were: the Sierra Club, the Environmental Defense Fund, the World Wildlife Federation, the Environmental Policy Institute, and the National Resources Defense Council. In support of their actions, many other European and North American NGOs launched letter writing campaigns to the MDBs and donor governments and visited the central offices of many MDB donor governments. Other North American-based NGOs included American organizations, such as the Rainforest Action Network and the International Dams Newsletter, and the Canadian organization called Probe International. Some of the European NGOs included: United Kingdom-based groups such as Friends of the Earth and Survival International and a German-based group called Rainforest Information.

There were many Southern NGOs who also spoke out against the MDBs. There

were groups that worked out of urban locations and engaged in public advocacy, research, and information gathering. They included the Guatemalan Defensores de la Naturaleza, the Mexican Federacion Conservacionista, the Brazilian Institute for Amazon Studies, the Indonesian Environmental Forum, and the Centre for Science and Environment in New Delhi. There were also groups that engaged in on-site, non-violent campaigns, such as: Chipko from India; the Penan tribe from Sarawak, Borneo; and the rubber tappers from Northern Brazil. (Consult Aufderheide and Rich, 1988: 313-314) An active broader base organization was the World Rainforest Movement, a Malaysian based coalition of mainly Southern NGOs.

Northern environmental groups were really the first of the critics to actively lobby the MDBs. In the 1970's, American environmental organizations had focused on domestic issues and a few dramatic international causes such as whaling and ocean pollution. After successful demands for changes to USAID and growth of environmental movements in Southern countries, national conservation organizations expanded their agenda and membership to include international concerns. The American environmental groups turned their efforts towards the MDBS. In the late seventies they decided that they did not like the MDBs' indirect approach to the environmental issue, and they wanted the MDBs to change their approach to meet the environment question head on. For instance, although the MDBs had already adopted some formal, although ad hoc, environmental policies to guide their development planning, the Sierra Club warned "there is substantial evidence that these banks often fail to act on their environmental policies and that as a result some MDB projects cause serious environmental and social problems." (Sierra Club, 1986: 4)

Several criticisms were directed at the MDBs by their critics. There was a concern that although the banks, particularly the World Bank, had initiated environmental responses, they had not demonstrated sufficient follow through actions. Many of critics' were concerned that "the MDBs have not always been straightforward in representing their efforts to protect the environment." (Kasten, 1986: 114) In addition, many of these institutions have policies on their books that call for environmental protection," but "unfortunately those policies have not been reflected in the product of their work."

(Kasten, 1986: 114) Some observers believed the actions of the seventies and early eighties were mere rhetoric and did not signify a true greening of the MDBs; some MDBs had only taken on "green clothes", and did not wholeheartedly engage in environmental work. (Rich, 1990b: 306) The banks were considered to be hypocritical in their speech and in their implementation of their projects. The banks were criticised for not being accountable for their actions. It was felt that there was a need to improve the MDBs' accountability--even if only to their donors. MDBs were accused of being too powerful. The banks were criticised for ignoring the advice of their own environmental staff. MDBs were accused of improper procedures for implementing environmental review and ignoring the NGO's, in that they did not allow or include NGOs' consultation on the projects. In addition, local peoples, whose lives were greatly affected by the projects, were not consulted either. The MDB mega-projects were blamed for causing widespread increase of disease and the destruction of pristine forest. They were accused of promoting projects that advanced certain sectors such as energy and agriculture and disregarded the need for the protection of diversity of species, indigenous people, etc. As well, it was pointed out that there were too many economists and engineers and too few ecologists within the MDBs' staff. Critics were outraged that the MDBS continued to fund projects which blatantly ignored loan conditions requiring the implementation of environmental standards and environmental review. The banks were chastised for their inattention to the environment commitments that the borrowing countries had agreed to implement but had not done so.

Although critics had various motivations for criticising the MDBs, there were generally only two solutions that any of them choose to advance. Either they were interested in shutting down the banks totally or they were interested in attempting to improve the MDBs' environmental responses. Not all of the critics were as vocal or as active as others. However, there were critics who sought to create positive changes within the MDBs and some went as far as to actively lobby the MDBs.

In the eighties, environmental evidence was mounting against the MDBs. Certain projects began to catch a lot of media attention and scrutiny from the banks' critics. There was intense public scrutiny of MDB development projects, such as India's

Narmada Valley Dam Project, Botswana's Beef Export Project, and Indonesia's Transmigration Program. However, Brazil's Polonoroeste Project, an enormous scheme to resettle small farmers in the Amazonian rainforest, became the central rallying point for the banks' environmental critics. It demonstrated that the banks were not even monitoring the implementation of their environmental standards in current projects. Concerned American NGOs, in alliance with Brazilian counterparts, wrote the MDBs denouncing the project. Their protestation focused on deforestation and the fate of tribal populations. After no response from the MDBs, the environmental NGOs then intensely lobbied MDB donor governments in an attempt to gain access to and the support of many of the MDBs sources of financial revenue. These actions began what is known as the MDB Campaign.

The MDB Campaign: the Participants and the Strategies

Several Northern and Southern NGOs, Northern donor governments, and IGOs became the critics who most actively supported the move to reform the MDBs. They were the essential proponents of the MDB Campaign.

The Non-Governmental Organizations and Donor Governments:

The MDB Campaign was originally started by NGOs. For many of them, their intent was not to engage in bank-bashing and cause the eventual closure of MDBs. A majority of NGOs urged for the introduction of MDB reforms. The Polonoroeste Project provided the NGOs "with a useful basis for the denunciation of the project and a challenge of the [MDBs] record." (Le Prestre, 1989: 181)

The MDB Campaign was initiated and supported by both Northern and Southern Environmental NGOs. Spearheading the activities was a coalition of Washington-based NGOs. The frontrunners included: the Sierra Club, the Environmental Defense Fund, the World Wildlife Federation, the Environmental Policy Institute, the National Resources Defense Council, and the Rainforest Action Network. Their strengths were numerous. Their membership included many top-level professionals, such as lawyers. They possessed vast networks of financial resources and they had access to scientific

experts. Because their headquarters were located in Washington, D.C., near the central offices of the World Bank, the IDB, and the American government, these groups could actively lobby the banks and representatives of certain donor governments. This prime location allowed opportunities to access some MDBs' chief decision makers and to observe the decisions and policy made in some MDBs' central offices.

However, Northern NGOs had been exclusively domestic until the late seventies, and had no real Southern experience. So, the political effectiveness of the MDB Campaign was enhanced by the inclusion of Southern NGOs. These NGOs gave legitimacy to the Campaign because their demands represented those people in the affected regions of the South. As the eyes and the ears of the MDB Campaign, the Southern NGOs kept the Washington NGOs abreast of what was going on in the field, in the project sites and in the MDB regional offices. They had access to those people directly affected by development projects. Essentially, the links between the Northern and Southern NGOs have brought better understanding of what the critical issues are for those people who are supposed to be benefitting from MDB development projects.

There are several examples of North/South collaboration. For instance, Lokayan, an Indian group based in New Delhi collaborated with the Environmental Defense Fund. Together, they protested the World Bank's Singrauli project in India and action was taken by the World Bank to modify the project. (Consult Aufderheide and Rich, 1988) One of the best instances of collaboration is the case of Chico Mendes, who worked for the Southern NGO that represents Brazil's rubber tappers. Mendes worked with Northern groups in a mutually beneficial way. The Northern NGOs needed to show that their criticisms of the World Bank and the IDB were legitimate, so Mendes backed up them by showing that MDB support for a highway project through his native Acre, Brazil was wrecking havoc in the Amazon. In return, in 1987, Northern NGOs provided Mendes with better access to resources, to IDB officials in Washington, and to the world media network.

Overall, the NGOs were the advocates of the MDB Campaign. In the eighties, the critics from environmental NGOs had become more politically aware and influential, and had become adept at pressuring the banks. These critics were better organized and

had a more diverse membership. In addition, they now had a strategy and they knew better how to influence the banks. They organized all the parties into a concerted effort and kept the machine rolling. They drew upon the strength of the IGOs' previous work and utilized the intellectual tools and the foundations that IGOs had provided. Then, they rallied the donor governments to exert financial pressure on the MDBs. Without the diligence of the NGOs, the MDB Campaign would not have been as successful as it was.

Some of the MDBs' donor governments, the NGOs' listening audience, were drawn into the MDB Campaign. However, as they had their own agendas, these governments did not support all the criticisms and accept all the solutions that the environmentalists counselled. Several Northern governments supplied finances to these banks to help promote economic development in the South. Their motivation to become involved in the MDB Campaign was that their financial investment had the potential of going sour. Thus, because economic returns were uppermost on their agendas, donor governments initially expressed more concern over the fact the MDBs may be wasting allocated funds, rather than their lack of environmental responsibility. The American government played a major role in the MDB Campaign. At the time, Washington, D.C. politics were clouded with economic considerations, such as the balanced budget. Capitol Hill's prevailing mood was to cut spending, while the Treasury would have liked to have spurred Southern growth with increased MDB lending. While Congress became involved in the MDB Campaign, many elected officials "found in environmental issues pretexts for adopting protectionist measures of various kinds or oppos[ing] multilateral lending." (Le Prestre, 1989: 168) According to one observer, traditionally, "conservative" legislators have been in favour of eliminating aid to multilateral institutions like MDBs and giving more aid to bilateral institutions. (Aufderheide and Rich, 1988: 309) So conservatives were happy to give support to any initiative which would lead to this end. "Liberal" legislators generally have been strong supporters of multilateral aid and the MDBs' mandate. (Aufderheide and Rich, 1988: 309) In this case, liberals were sensitive to the criticism that MDBs were betraying their mandate with an unsound development policy. Both types of American legislators shared the common motivation to get elected and stay elected, and the environmental issue was

a tool to do so.

The MDB Campaign picked up the support of Republicans and Democrats in the House of Representatives and the Senate. Republican Senator Robert W. Kasten Jr. (Wisconsin), Democratic Senator Daniel K. Inouye (Hawaii), and Democratic Representative David Obey (Wisconsin) were major supporters of the Campaign and actively encouraged Congress to place bipartisan pressure on the MDBs. For instance, Robert Kasten argued that "it's simply unacceptable that [development banks] should finance bad projects with US taxpayer dollars." (The Wall Street Journal, July 8, 1987) According to Senator Kasten, Congressional interest peaked in 1985, after a group of concerned environmentalists contacted him about the Polonoroeste Project. The group had written to World Bank President A.W. Clausen, but the Bank did not respond adequately to the criticisms. So, he then intervened on the environmental critics' behalf. (Kasten, 1986: 112) It is obvious that actions of certain American officials helped to convince the House and the Senate to appoint several committees to investigate the MDBs environmental record.

Between 1983 and early 1988, there were 21 Congressional Hearings in six different sub-committees regarding the environmental performance of multilateral development banks. (Aufderheide and Rich, 1988: 309) By 1989, twenty-four Congressional hearings had been held, "twelve of which were called specifically to investigate the ecological performance of the MDBs." (Rich, January 1989: 88) The expert testimony given by environmental advocates and scientists from 1983 to 1985 helped to convince the U.S. Treasury to review the environmental aspects of bank projects. The most influential investigations were those done by the House and Senate Appropriations Subcommittees on Foreign Operations, as they have the most influence on the actions of the US Treasury Department and the Banks.

The findings of the subcommittees were as follows. They found several internal World Bank documents that indicated Brazil's Polonoroeste project would fail. They also discovered that little of this evidence was ever passed along or acted upon by the appropriate World Bank officials. In addition, the Congressional investigators realized that environmental devastation was not unique nor restricted to just this project. They

found that other projects, which had been sponsored by the World Bank and the regional MDBs, had caused equal or greater devastation/destruction, projects. Testimony was heard on research done on other projects in Indonesia, Botswana, Brazil, Mexico, Central America, and Africa. Other Congressional hearings confirmed the observation that the staff of the banks frequently have recommended that a development project be rejected on environmental grounds. The committees also became aware that the board of directors has often ignored or has been unaware of these recommendations and thus proceeded with ill-fated projects. (Kasten, 1986: 112)

Congressional hearings were a significant factor in the success of the MDB Campaign. They led to the introduction and the passing of legislation "directing the treasury secretary in his capacity as US governor of the [MDBs], to promote environmental reforms and to report back to Congress." (Aufderheide and Rich, 1988: 309). At the World Bank in June 1986, the USA cast its first "no" vote on the basis of environmental considerations. In Fiscal Year (FY) 1987 the Congress

> instructed the Treasury to promote the "rapid addition" of trained environmentalists to bank staffs, to vote against loans for projects that would hurt the environment and to demand that no less than 20% of development bank loans be directed toward environmentally beneficial projects such as reforestry, small-scale farming and mini-hydroelectric dams. (The Wall Street Journal, July 8, 1987)

Policy coming out of the American Congress acted as an influence on other governments' actions. The United Kingdom, the Netherlands, Australia and Scandinavian countries adopted measures similar to those of the US Congress. The support of Western European finance minsters and parliaments was also critical to the success of the Campaign.

Donor governments had important influence in the MDB Campaign. They initiated the financial pressures that forced the banks to change. The financial pressure proved to be the optimal tool to force the MDBs to change. Every year the MDBs postponed responding to these financial pressures, they received fewer appropriations and experienced a loss of power. The MDBs ignored their environmental critics until their donors placed them in a financial bind.

The Strategies Utilized:

As the two key players of the MDB Campaign have been identified, what remains to be discussed is the tactics that were employed during this time. According to one source, a wide variety of tactics were used to pressure the MDBs. These tactics included: well publicized case studies of MDB-financed diasters in Brazil, India, and Indonesia; congressional and parliamentary hearings in the USA and Europe, and the mobilization of the news media. (Rich, 1990b: 306) Many MDB critics realized that their biggest difficulty was that the MDBs had no specific audience to be accountable to. Upon this realization, they sought and found alternative paths to influence bank policy.

NGOs used certain tactics to gain the support of donor governments. Specifically, the NGOs were able to raise doubts as to whether the continued sponsorship of the MDBs was a sound investment. They were able to convince donors that the MDBs were not following their mandate to promote sound economic development and were in fact the cause of the South's environmental havoc. However, NGOs had to be certain to specify that their intent was not to break the banks, but to put pressure on them to initiate real environmental reforms.

Because the USA is a preeminent MDB donor and the largest financial contributor to the World Bank and the IDB, it was a primary NGO target. By having the headquarters of their most active NGOs located in Washington, D.C., the organizers of the MDB Campaign were able to actively lobby the support of the American government. However, their main US target was not the American executive branch but the legislative branch. Congress became a target because of its responsibility for approval of appropriations bills. When initially approaching Congressional members, the environmental critics had to be very careful of opposing agendas and partisan politics.

Among the European donors, the NGOs employed other tactics. For instance, unlike the US Congress, the West German Bundestag did not have the budgetary powers nor the power to direct the action of the German executive directors to the MDBs. As well, the MDB Campaign had to be run carefully among certain European donors because the NGOs wanted to prevent some European governments from being forced to withdraw their support from the Campaign. For instance, in Germany, environmental

activists, particularly the Green Party, attempted to influence their government's policy. However, the Green Party created such a public furore that the German government considered the fact that it may have to withdraw the financial support that it was giving to MDBs. As this would decrease the effectiveness of the MDB Campaign, this action was not what the American NGOs wanted. So they agreed to help the German government. In February 1988 the West German executive director of the World Bank requested that Washington-based NGOs "moderate" the Green Party's energies and criticism. (Aufderheide and Rich, 1988: 311) By better directing the environmental activists, the German government hoped this action would increase their options in dealing with the MDBs.

During the MDB Campaign, NGOs also found it useful to hold public demonstrations, and often. For example, the coalition of Northern environmental organizations picketed the World Bank's 1986 annual meeting. However, an even more effective demonstration tactic, used particularly by Southern NGOs, was to perform on site, nonviolent demonstrations. This tactic has been used by Brazilian rubber tappers, Chipko, an Indian movement, and the Penan tribe in the Malaysian state of Sarawak among others. Some of these local groups have protested MDB projects by forming human chains around trees and performing sit-down blockades.

Some of the most effective tactics used on the MDBs were those initiated by donor governments. For instance, the American government produced some very effective legislation that was enacted by both houses of Congress and signed into law by President Reagan. In the Appropriation Bill for Fiscal Year (FY) 1986, the Foreign Operations Subcommittee recommended several measures for reforming the MDBs. They wanted to increase the internal environmental review process in the MDBs, and increase sponsor nations' attention to the environmental impacts of development projects. Ten recommendations on the MDBs passed into U.S. law on December 15, 1985 under the United States Congressional Joint House Continuing Resolution 465, Section 540 (Public Law 99-190). Four points involved increasing and defining the role of the US government and its departments in the MDB issue. The other six provisions were directly relating to the MDBs and were as follows:

- a professionally trained environmental review staff is to be added to the banks.

- institutional changes are to made in the banks to involve both governmental and nongovernmental professionals trained to study environmental, health, and social concerns.

- lending to projects that have environmental management as their primary objective is to be increased.

- environmental training for the existing staff of the MDBs is to be provided.

- an early warning system for classes of projects that have a high frequency of unacceptable environmental consequences is to be developed. Specific types of projects identified as such include large impoundments of river, penetration roads into relatively undeveloped areas, projects that could have an adverse impact on water quality and salini[ty], projects that could increase the incidence of waterborne disease, forced resettlements, and widespread application of pesticides.

- special meetings of the Board of Executive Directors of each of the banks will be convened to focus on poor environmental performance of projects sponsored by that institution as well as problems experienced by other MDBs. (Kasten, 1986: 113)

Another effective tactic sometimes implemented by donor governments was to financially reward/punish MDBs on the basis of their environmental behaviour. For example, later in the Campaign, in FY 1987, the American Congress would actually threatened to reduce World Bank funding. In this particular case, the NGOs appeared before Congress and defended the World Bank by commending it for its plans to initiate environmental reforms. At the same time, the NGOs urged Congress to reduce its finances to the IDB because of its poor environmental record. Congress rewarded the environment efforts of World Bank and punished the IDB when it "approved nearly the full amount requested for the World Bank and slashed IDB support by 75%." (Aufderheide and Rich, 1988: 308)

Other creative tactics were employed by the participants of the MDB Campaign. For instance, Kasten and Inouye, the American legislators, sent a letter to the IDB

President stating "we cannot allow a repeat of the devastation which occurred in Rondonia." They insisted the highway project be put on hold "until the IDB can certify the necessary environmental components of the loan have been implemented." (Sparks and Hosner, 1987: 10) As well, Senator Kasten is reported to have "asked the crew of a space shuttle flight to photograph the devastation" and then Kasten "showed the pictures at congressional hearings to help build support for putting environmental conditions on US contributions to MDBs." (The Wall Street Journal, July 8, 1987) In addition, the news media was called upon in the MDB Campaign. Front page articles were sponsored by The New York Times, The Wall Street Journal, and The Nation. Even Sixty Minutes participated in the MDB Campaign. According to one observer, it "ran a scathing indictment of Polonoroeste, accusing the [World] Bank of contributing to the deforestation of a rain forest the size of Britain at a cost of nearly half billion dollars--over the objection of its own technical staff." (Rich, 1989: 88)

The MDB Campaign also sought and utilised supporters who worked within the MDBs. Within the many levels of these institutions, there are varying degrees of commitment to environmental issues and concerns. The best example of internal support for the MDB Campaign originates in the World Bank's Office of Environment and Scientific Affairs (OESA). As the only officially established environment department among the four MDBs, the OESA's support and involvement in the MDB Campaign was very significant. Despite its unique status, the OESA had never been given a chance to execute influence in the World Bank on environmental matters. For eleven years, when pursuing any environmental initiative, the OESA had accepted the slowness and the difficulties of working in a large bureaucracy. The office realized that it would have to be outside influences that would effect environmental change in the World Bank. In 1983, the OESA saw the MDB Campaign as a golden opportunity to balance the scales of environment and development. It was motivated by its desire to use the MDB Campaign "in its internal battles and to further educate borrowers." (Le Prestre, 1989: 188) Because it was frustrated by its lack of influence on environmental issues, not only in projects but also in institutional structure, the OESA encouraged and supported the outside criticism of the MDB Campaign.

The Supporting Influence of Inter-Governmental Organizations:

The long term efforts of International Governmental Organizations (IGOs), which had begun long before 1983, supported the efforts of the MDB Campaign. For instance, starting in 1977, the UNEP and the IIED funded an assessment of the environmental procedures and practices of nine multilateral lending banks and agencies. The resulting 1979 publication, Banking on the Biosphere, was very critical of the MDBs. After critically assessing the MDBs, Stein and Johnson, the authors of the report, deemed the MDBs' environmental response as insufficient. They noted the following four general environmental deficiencies in the MDBs:

- lack of clear procedures for the environmental assessments of their projects [The World Bank was noted to be an exception].
- a general lack of criteria for assessing environmental impact.
- no marked success in quantifying social costs and the environmental effects of projects.
- lack of staff trained to consider environmental dimensions of projects. (Ehrhardt, Hanson, Sanger, Wood, 1981: 17)

The 1979 publication helped to sponsor further international remedial action. In 1980 there was an attempt to redress some of the environmental problems within certain international institutions that the UNEP and IIED had pointed out. In 1980, the UNEP, with the active support of the World Bank, set out to achieve this aim. This IGO wanted to help development-finance institutions to start implementing sound environmental guidelines in their activities. In addition, with dwindling support for international environmental actions, the UNEP saw there was an urgent need to reaffirm a sense of commitment that had been pledged at Stockholm seven years earlier.

On February 1, 1980 at the United Nations headquarters in New York, the "Declaration of Environmental Policies and Procedures Relating to Economic Development" was signed by representatives of ten multilateral agencies. Essentially, the Declaration was designed to encourage development-finance institutions, such as the multilateral banks, to adopt sound environmental guidelines in their lending. In addition,

the Committee of International Development Institutions on the Environment (CIDIE) was officially institutionalized to help supervise the implementation of the Declaration. Eager to redeem themselves, the MDBs had enacted the recommendation of the 1979 report to "publicly commit themselves at the highest level to policies of environmental protection and improvement." (Ehrhardt, Hanson, Sanger, and Wood, 1981: 17) The World Bank, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank signed the Declaration and joined the CIDIE. These actions reaffirmed the MDBs' support for the principles and recommendations set forth in the 1972 UN Conference, and removed some of the doubt caused by the 1979 publication Banking on the Biosphere.

To reinforce these environmental commitments, certain IGOs, and NGOs, initiated further environmental dialogue. In 1980, the UNEP, the International Union for the Conservation of Nature, and the World Wildlife Fund published an important guiding document. Through The World Conservation Strategy Report it became evident that the planet's capacity to support people was being undermined by "poor land management, profligate use of resources and the sort of grinding poverty that forces people to destroy the very resources they need to survive." (National Round Table on the Environment and the Economy, 1991: 5). The report's revelations added further support to the concept of sustainable development. As well, the report provided a basis on which various international organizations and NGOs could assess MDB performance and pressure it to improve.

In December 1983, the World Commission on Environment and Development was set up as an independent body by the United Nations General Assembly. Its goal was to re-examine the critical environment and development problems on the planet and to formulate realistic proposals to solve them. Led by Gro Harlem Brundtland, the Prime Minster of Norway, a group of 21 respected people were drawn from various nations. Their goal was to examine the twin issues of environmental degradation and economic development. The World Commission on Environment and Development presented its report, Our Common Future, to the United Nations' General Assembly in 1987.

IGOs started their work prior to the active campaigning of the NGOs. Their main

contribution was that they provided prior dialogue on the environment issue and helped to establish the link between environment and development. They took the intellectual concepts of Stockholm, such as ecodevelopment, and developed them in the eighties into the widely supported concept of sustainable development. As well, at their international meetings, many of their representatives were willing to draw attention to the MDBs lack of environmental standards. For instance, at the opening of the sixth annual meeting of the CIDIE, Dr. Mustafa Tolba, the UNEP executive director, presented a five year CIDIE review. He was reported as saying that "there has been a distinct lack of action by several multilaterals" and that members have "gone along with the Declaration in principle more than in major shifts of action." (Brundtland, 1989, p. 338) This evidence added to the legitimacy of the MDB Campaign. Overall, IGOs laid the intellectual foundations and initiated important international dialogue that led to the success of the MDB Campaign. By utilising the support and tools developed by IGOs, the MDB Campaign gained international acceptance and legitimacy.

Chapter Summary

The efforts of the MDB Campaign produced some positive results. Two years of concerted financial pressure and public criticism resulted in a brief, but precedent-setting suspension of World Bank payments to the Polonoroeste project in March 1985. This was the first time an MDB had ever halted loan disbursements for environmental reasons. Eventually the construction of the Amazon highway was terminated. When MDB lending resumed, financial resources were redirected to activities that would try to "control the environmental devastation in the region." (Rich, 1990b: 312) The new purpose of the project was to implement the components which had been included in the original agreement but that had never been observed. The World Bank, and later the IDB, sought to establish a state forest extension program, soil conservation programs, demarcation of Indian lands, and basic agricultural extension services, etc.

In 1986, most critics were pleased with their initial accomplishments of making the MDBs more accountable for environmental destruction and forcing them to implement damage control measures in some of their projects. In the summer of 1986,

Senator Robert Kasten reported that the MDB Campaign had some positive environmental results. He asserted that "the State Department and the Treasury Department have reported observing a change in the character of loans submitted to the executive board of the MDB for final approval." (Kasten, 1986: 114) He also noted "in addition, I believe that the MDBs have become more aware of the concerns over recent months." (p. 114) Some NGO critics were also pleased to observe positive signs of a higher level of environmental commitment by the MDBs. One active participant of the Campaign believed that "what has been won is an unprecedented and undeniable place for citizen activism as a force for accountability on the part of the major agencies controlling the international development agenda." (Aufderheide and Rich, 1988: 320)

The one drawback of the 1983-85 MDB Campaign was that "the certain parochialism of the approach, associated with a failure to place the issue in its economic and political context, hindered much progress until 1987." (Le Prestre, 1989: 188) After 1985, many critics continued to urge the MDBs to adopt "an organic approach" which would fuse the "environmental planning to the overall development process rather than treating it as a separate sector or review process." (Conservation Foundation, 1986: 7) It was only after two more years of continued concerted pressure that the MDBs finally decided to initiate more formal environmental responses.

Despite these delays, the MDB Campaign has been a significant force on the MDBs. It is only in the 1980's that the time became ripe for initiating MDB reforms in environmental issues. The policy context had changed and the pressures on the Banks had evolved to a higher pitch. Thus, the environment and development decisions that MDBs had been postponed in the seventies had to be looked after in the eighties. The MDB Campaign made sure of that. According to the international community, the environmental responses the MDBs had used in the seventies were inadequate and should be improved. By 1987, as they no longer had any real excuses to avoid fully addressing the environment question, the MDBs developed new environmental responses. These initiatives will be the focus of the next chapter.

Chapter Two

The Second Try: The MDBs Improve Their Environmental Responses

The MDBs have responded to environmental issues with both damage-control measures and institutional reforms. The first phase of MDB reaction, damage control, concentrated on constraining damage in projects already under way. This type of response is not novel as it is similar to the MDB environmental actions in the sixties and seventies. Damage control means that the MDBs focus on keeping deforestation under control, or alleviating damage already done by a project. Essentially then, damage control is a crisis management response where the MDBs try to mitigate and control the direct impact of present projects on the environment. Long term environmental planning is overlooked in this type of MDB response. For instance, in order to mitigate environmental effects an MDB may temporarily halt payments to a project, such as the Polonoroeste Project, and reallocate the money towards environmental corrections.

Institutional reform, the MDBs' second response, is a new type of reaction from these four development institutions. Some MDB critics believe reforms are a very positive sign of the commitment that MDBs are now willing to give to environmental issues. The basic advantage of this environmental response is that the MDBs are now institutionalizing comprehensive planning rather than relying upon ad hoc, project by project analysis. Reforms may be taken to mean that long term environmental planning is a goal that the MDBs are now willing to achieve. To appreciate fully the breadth of the MDBs' new type of environmental responses, a review of the banks' environmental initiatives is appropriate.

This chapter will analyze the MDBs' responses to the environment issue post-1985. Although two types of environmental responses, damage-control measures and institutional reforms, were offered by the MDBs, this chapter will focus mainly on the latter. Specifically, this chapter will review and analyze the reforms that each MDB made to incorporate environmental considerations into its policies, structures, and activities.

The Institutional Reforms of the World Bank

In the post-1985 period, the World Bank once again became the first MDB to indicate its willingness to become more involved in and responsive to environmental issues. In 1986, some critics believed that the World Bank was initiating some positive, ad-hoc environmental precedents. The World Bank's 1986 Wildlands Management Policy, which sets guidelines for the management of natural land and water areas in bank projects, was deemed a progressive measure. Specifically, the World Bank was praised for having "already financed 59,000 square kilometres of wildlands in 17 countries as a part of 40 development projects." (Sierra Club, 1986: 21) However, it was not until 1987 that the World Bank began to institute some comprehensive environmental initiatives.

At this time, there was a change of leadership within the World Bank. Barber Conable replaced A.W. Clausen as President. Afterwards, the reforms were announced. In a speech to the World Resources Institute on May 5, 1987, World Bank President Barber Conable acknowledged that the Bank's ecological record did not match the claims of its public relations staff. He recognized the Bank's role in the Polonoroeste disaster as "a sobering example of an environmentally sound effort which went wrong."(The New York Times, May 6, 1987) Finally, he attempted to reassure his audience with a promise that "if the World Bank has been part of the problem in the past, it can and will be a strong force in finding solutions in the future."(The New York Times, May 6, 1987)

To improve the Bank's environmental record, President Conable announced several institutional reforms designed to "move environmental concerns from the periphery to the center of the bank's development policies." (The New York Times, May 6, 1987) Specifically, Conable vowed to create a "top-level" (The New York Times, May 6, 1987) central environment department and to establish environmental assessment units to monitor projects in each of the World Bank's four operating regions of Asia, Africa, Latin America and the Caribbean, Europe and the Middle East. The central Environment Department was to be divided up into three divisions:

1) technical, to establish the Bank's technical expertise;

2) economics, to study the economic efficacy of various environmental policies

3) operations, to conduct country-by-country environmental strategy work. (Martens, 1989: 499)

Conable also promised to increase environmental staff to "at least 65 full time employees." (Hosmer and Clark, 1987: 11) He not only planned to raise the number of environmental professionals, but also move many of the positions out of the central environmental office and into the Bank's regional offices so "they can work hand in hand with lending officers." (The Wall Street Journal, July 8, 1987) This was a big move for the Bank. Prior to the reforms, liberal estimates claim the Bank had "17 staff people responsible for environmental issues and related policy matters" (The New York Times, May 6, 1987), while more conservative estimates stated that the Bank only had eight people. (Hosmer and Sparks, 1987: 11) After Conable's speech, Dennis Hopper, Senior Vice-President for Policy, Planning and Research, was quoted as saying that the department "would have an equivalent of 100 full-time staff members." (The New York Times, May 6, 1987) In a few years, Hopper's promise would come back to haunt the Bank because many NGO critics remember hearing his higher number of one hundred and not the lower estimate President Conable had given. As well, Conable called for an "urgent country-by-country assessment of the most severely threatened environments." (The New York Times, May 6, 1987) A commitment was given to finance a greater proportion of environmentally beneficial programs. He announced "a continent-wide program to slow the spread of deserts and the destruction of the forests in Africa," and the start of World Bank "participation in a cooperative effort by countries of the Mediterranean basin in a long-term campaign to protect that sea and its coasts from environmental degradation."(The New York Times, May 6, 1987) Conable's most important initiative was a "global program to promote the preservation of tropical forests."(The New York Times, May 6, 1987) The significance of addressing tropical deforestation was that this plan would double the amount of the World Bank's forestry lending. Finally, Conable's 1987 reforms called for greater involvement in bank operations by environmental and grass roots NGOs in borrowing and donor countries.

He committed the Bank to improving its communication and consultation with NGOs.

In 1987, most critics' immediate reaction to Conable's speech to the World Resource Institute (WRI) was generally positive. Most NGOs were pleased that the World Bank reforms strongly reflected the main points of the congressional legislation that NGO environmentalists had helped to draft. Gus Speth, the WRI President, remarked it was an "exciting start at reform" and that it gave "a charter for a new day at the World Bank." Speth also congratulated Conable by stating "he has given the environment a new priority with a new structure and new people." (The New York Times, May 6, 1987) Bruce Rich of the Environmental Defense Fund was "guardedly optimistic." (Rich, 1990b: 306) The media reported he believed the "critics' pressure was having some effect" but "that many of the bank's projects continued to be environmentally unsound." (The New York Times, May, 6, 1987) Nonetheless, many critics still applauded the World Bank's reforms and considered that a good first step had been taken. With the initiation of Conable's 1987 reforms, the MDB critics welcomed what they thought was the start of fundamental restructuring within the MDBs.

In 1987 the World Bank agreed to initiate structural and policy reforms. To accomplish these ends, two tasks had to be performed. The World Bank's first task was to give greater visibility and formalize a place in its internal hierarchy for environmental criteria. Amazingly, while other areas of the Bank were experiencing significant staff reductions, there was a concurrent expansion in the number of World Bank environmental staff positions. In addition, the promised central Environment Department and four satellite environment offices were immediately established "to help identify the direction of Bank policy, planning, and research work and promote environmental "dialogue" with borrowers." (Le Prestre, 1989: 199) As well, the environment department was put under a new senior vice president, Dennis Hopper, to bring bank policy and research under a single portfolio. Aside from strengthening existing structures, the Bank's second task was the launching of new policy initiatives. The Bank sponsored a series of environmental issue papers and environmental action plans in thirty developing countries.

Beyond attempting to answer Conable's 1987 promises, the World Bank has tried

to continue improving its environmental image through other measures. It has made positive moves towards increasing its environmental lending. In September 1989, at the Tokyo Conference on the Global Environment and Human Response toward Sustainable Development, President Conable said that World Bank support for freestanding environmental projects was expected to amount to nearly $1.3 billion within a three year period. (Conable, 1989: 2) That expectation was met by the World Bank in FY 1991 when 14 projects with primarily environmental objectives were approved; overall, this represented lending of about $1.5 billion. In fiscal 1992, nineteen such projects, representing $1.2 billion in lending, were approved. (World Bank, 1992: 51) In 1992, the bank claims that of the 222 projects approved 19 were primarily environmental, meaning the environmental costs or benefits exceed 50 % of the total costs or benefits. (World Bank, 1992: 56) Of the 222 projects of 1992, 43 had environmental components. It said that:

- eleven were in Africa;
- sixteen in Asia;
- ten in Latin America and the Caribbean; and
- six in Europe, Central Asia, Middle East, and North Africa. (World Bank, 1992: 56)

The World Bank has also attempted to improve NGO involvement in MDB Projects. It began to expand its relationship with NGOs in FY 1988 by promoting NGO involvement in its projects. (World Bank, 1992: 98) As well, it was in April of that year when Senior Vice-President Moeen Qureshi said "we cannot achieve results without the active, creative, and critical involvement of many NGOs." (Stokes, 1988: 3250) By 1992, the World Bank reported that it had expanded these efforts three fold, and that 66 of 222 approved projects involved NGOs. (World Bank, 1992: 98) As well, the institution has now become very aware of the importance of reporting its environmental initiatives to the public. In 1989, the Bank began publishing a newsletter Environmental Bulletin, and in 1990 the Bank mass distributed its first annual environment report, The World Bank and the Environment. In its publications, the World Bank has become very active in advertising its different reforms.

Finally, in response to the United Nations General Assembly Resolution 42 of

1987, calling on UN bodies to review their policies, programmes and activities aimed at contributing to sustainable development, the World Bank accorded great importance to UNCED's 1992 Conference in Brazil. This international event dominated the World Bank's environmental agenda during FY 1992. In extensive preparations, the World Bank

- established a high level office of UNCED coordination, with an extensive network of lead advisers responsible for developing Bank policies and positions on every aspect of the conference agenda; and

- actively participated in, and contributed to, substantive working parties, preparatory meetings, and related conferences. (World Bank, 1992: 56)

As one of its major written contributions, the Bank published its 1992 issue of its World Development Report early so it would be ready for presentation at UNCED 1992. At Rio, a special bank delegation was led by the new Bank President, Lewis Preston. He even addressed the UNCED Conference. By the end of the Conference, the bank had "pledged not to finance road building in virgin forests or construction of dams in the Amazon." (The Guardian Weekly, July 21, 1993) In the December 1989 issue of the Bank's publication Finance and Development, Barber Conable indicated that "we have increased environmental lending, increased lending for population programs, increased forestry lending, increased the resources devoted to the environment by more than 100 staff years, and have fully integrated environmental issues in the Bank's approach to development. But we need to do more..." (p. 4) The bank's environmental critics agreed. By 1989, the Bank was once again subject to harsh outside criticism.

In January 1989, some critics noted that "the [World] Bank is still failing to implement its environmental guidelines or enforce environmental loan conditions in a significant number of important projects. (Rich, 1989: 90) Others also felt that there was "no evidence yet that the Bank was going to integrate [environmental] concerns in any significant way into its mainstream operations." (Stokes, 1988: 3250) In 1989, expansions in World Bank environmental staff had resulted in only 23 appointed positions in the central department plus 22 positions in the four regional environmental assessment units. (Rich, 1989: 90) By 1990 these had reached an overall total of 60 new positions

(Rich, 1990b: 307) Many NGO critics grew concerned over the fact that the size of the staff for the World Bank's new environment department had shrunk from Hopper's promised number of one hundred. There is little evidence that they acknowledged that President Conable's original estimate of sixty positions has been attained. However, there is reason to question a claim made by one Bank official in 1993. Because the Bank's Annual Report 1992 did not supply the information, he was asked how many professionals and support staff worked in the Environment Department. He responded in broad terms with this confusing estimate:

> about 400 staff work on environment-related functions, of which two-thirds are professionals and one third support staff. Of this total, about one-half are concentrated in the Environmentally Sustainable Development Department in the IBRD. The remainder are working in geographic and sector divisions in different World Bank institutions. (Confidential correspondence dated January 21, 1993)

The Bank's structural reorganization sparked criticisms because some critics thought it may have hindered the effectiveness of the Bank's environmental response. It is argued that these changes "greatly strengthened" (Rich, 1989: 90) the autonomy and power of the four regional vice-presidents and the regional officials who run bank projects on a day to day basis. Furthermore, it led to the environment department being actively "marginalized" from the project staff in the field. (Rich, 1989: 90) When the central department was created, its quality control duties were taken away and reassigned to the four regional assessment units. The environmental assessment units were to help link the central office to the field, but they also have encountered problems of their own. Even though the regional assessment units have been assigned environmental responsibility, they have not been given adequate capabilities. It has been pointed out that they possess "neither sufficient budget nor authority to assure ecological design changes in projects." (Rich, 1989: 90) Thus, it is not surprising that some critics feel despite its innovation, the World Bank has created a central environment office that has "little real impact on the bank's operations and lending priorities." (Rich, 1989: 90) Perhaps they are correct.

As well, critics became concerned over the implementation of a promise to review all major projects. Reportedly, one senior Bank source pointed out that Conable's new environmental program did not mandate a review of current development projects. He

added that "once money has been sunk into a project it's much more difficult to step back and reevaluate." (Sparks and Hosmer, 1987: 11) However, in a move to fulfil its promise to review the environmental ramifications of its projects, the World Bank adopted Operational Directive 4.00 in 1989. For the first time, the Bank was formally required to prepare environmental assessments for nearly all its major projects. However, this Directive 4.00 has been criticised as well. In 1991, Dennis Scott warned of some of the effects of the implementation of the World Bank's 1989 Operational Directive. He cautioned that

> unfortunately, this initial step served only to partially correct the bank's previous policy of largely overlooking the ecological consequences of its lending activities; the failure to require meaningful public participation in environmental assessments has meant that many EAs have glossed over or ignored significant impacts. (Scott, 1991: 21)

Once again the Bank took a step forward, but ended up two steps back. As more field evidence supported the observations of Rich and his colleagues, the hypocrisy between the World Bank's rhetoric and practices began to show.

Twenty months after Conable's speech, there was a definite gap growing between rhetoric and the conditions in the field. Some of the strongest demonstrations of popular reaction against the World Bank began to occur. At this time, environmental critics became specifically concerned over the construction of the Sardar Sarovar dam project in north central India. NGOs argued that the Sardar Sarovar Project would force the relocation of 100,000 people and submerge fertile farm land, and that little was being done to include local social and environmental concerns into the planning. Northern NGOs organized a demonstration that was timed to correspond with the 1989 annual World Bank-IMF meeting in Washington, D.C.. India then became the next protest locale. Recorded as the largest demonstration against a development project in the history of India, 50,000 people protested near the project site against the World Bank and project authorities on September 28, 1989. Afterwards, on October 24, 1989 another hearing took place in the American Congress. Despite sweeping reforms, NGO activists from its most important recipient and donor, India and the USA, testified about the World Bank's "systematic violation of its own environmental and social policies in the

Sardar Sarovar dam project in north central India." (Rich, 1990b: 305). The NGOs' biggest objection was that the Bank was continuing "to finance projects despite five years of noncompliance by project authorities in preparing critical environmental studies and action plans." (Rich, 1990b: 305) The fiasco continued into September 1990. 170 activists from NGOs from 53 countries came to protest in Washington, D.C.. These immense external pressures eventually forced the Bank to reevaluate the project and its environmental impact.

Since 1987, there appear to be some internal World Bank problems that may be inhibiting the successful implementation of the reforms. There is conflict among the Bank's senior management. To some 1987 observers, it might have appeared that the World Bank's leadership had reacted in favour of introducing environmental reforms, that President Barber Conable, Senior Vice-President Moeen Qureshi, and Senior Vice-President Dennis Hopper were in agreement. However, the 1987 resignation of James Lee, who left the directorship of the OESA after seventeen years, may indicate that there was some internal tension over the issue. After James Lee left, it supposedly took the World Bank more than a year to find a new director for the environment department, as several earlier candidates had turned it down. Bruce Rich's speculation concerning the one year delay was that "the director must report to both a vice president and senior vice-president, neither of whom was known inside the bank for having strong environmental sympathies. (Rich, 1989: 90) Rich is referring specifically to Dennis Hopper. President Barber Conable's and Senior Vice-President Moeen Qureshi's support for environmental initiatives has been called "sincere." (Rich, 1989: 91) However, according to some NGO observers, Senior Vice-President Dennis Hopper has been less than enthusiastic. In fact in a 1987 interview for British television, Dennis Hopper is reported to have said "Let's face it: You can't have development without people getting hurt." (Rich, 1989: 90) However in a 1992 sub-committee hearing of the Canadian Parliament, the now retired Senior Vice-President did not seem so unapproachable and unreasonable as some NGOs have portrayed him. He obviously was part of the World Bank's old guard that believes the Bank has a duty toward poverty alleviation and improving food production, and argues that the Bank's articles of agreement prevent a

better environmental response. (Consult House of Commons, Sub-committee on International Financial Institutions, Issue No.4) However, Hopper did not seem blatantly opposed to environmental initiatives, but it would be fair to say that he would have been more conditional in his support than Conable or Qureshi.

Perhaps the variant environmental opinions found among the senior management was one of the reasons for further changes in the World Bank's hierarchy. Currently, the World Bank's environment structure is set up in the following manner: the Department of the Environment reports directly to the Vice-President, Environmentally Sustainable Development. Between June 30, 1992 and January 21, 1993, World Bank President Lewis Preston created the position of Vice-President of Sustainable Development. Although this addition is not indicated in the World Bank's 1992 Annual Report, one bank official indicated that this position is now at the top of the Bank's environmental structure. (Confidential correspondence dated January 1993) By appointing responsibility for environmental issues to a Vice-President, the World Bank has granted a formal place in its senior administration for supporting environmental accountability. As well, the current Director of the Environment Department, Mohamed T. El-Ashry, holds two titles. He acts as the Director of the Environment Department and as Chief Environment Advisor to the President.

As well, after the 1987 reforms, it may have seemed that as one went further down the bank's hierarchy that support for environmental initiatives was more conditional. Other people in positions of leadership at the World Bank were less supportive of environmental reforms. For instance, Lawrence Summers, chief economist of the World Bank had sent a provocative memo to his colleagues on December 12, 1991. In it, he asked: "Shouldn't the World Bank be encouraging more migration of the dirty industries to the LDC's?" A writer for The Economist agreed that the langauge was "crass" but that Summers was "asking questions that the World Bank would rather ignore." (The Economist, February 8, 1992) However, that judgement of Summers may be too gentle. NGOs report that at an earlier date Summers "heavily influenced" the Bank's decision "not to incorporate environmental issue papers into country strategy papers. (Rich, 1990b: 317) Obviously, he has not been an environmental advocate.

Further on down the line, the World Bank's field staff appear to be reluctant in implementing the 1987 reforms. Conable may come out and support environmental reforms but this has not guaranteed the acceptance of the field staff. It is not the central office of Washington which looks after implementation, as most of their influence is in the creation of policy. In fact, the World Bank has had a "long standing lack of coordination between the Bank's operation staff, who identify and prepare loans, and its policy, planning, and research division." (Rich, 1990b: 316) As well, a loans officer or country director may support environmental criteria but often they may "have little incentive" to proceed since these types of changes would risk "slowing down the processing of projects and loans" inhibiting their careers. (Rich, 1989: 90)

Has the World Bank failed in its environmental reforms? Some NGO critics fear that Conable's 1987 speech represents the high point of the World Bank's environmental efforts (Rich, 1989: 90) However other observers, such as Le Prestre (1989), argue the Bank has not failed and has in fact just been too ambitious. (p. 182) Despite what these observers think, the World Bank has not lost the confidence of the international community. The G7 appear to have confidence in the expertise of the World Bank. In fact, the Houston Summit of 1990 "called upon the World Bank to conduct a comprehensive pilot program to protect Brazil's rainforest." (Rich, 1990a: 10) After the Rio Conference, some news sources claimed that the World Bank has come out as "an winner" among the participating institutions. (The Guardian Weekly, July 21, 1992) It has been named as the future manager of most of the three to four billion dollars a year that Northern nations will give to the Global Environmental Facility, which will help to sponsor environmental projects globally. As well, the World Bank's actions have proven to be motivational to other development-finance institutions. Not long after the World Bank publicly committed itself to environmental reforms, the three regional MDBs began to follow the World Bank's example.

The Institutional Reforms of the Regional Development Banks

In 1987, the regional MDBs were severely criticised. The NGO critics maintained that the regional banks "have not gone as far as the World Bank to formally

address environmental concerns." (Sparks and Hosmer, June 1987: 10) Some critics pointed out that:

> no regional bank currently has an environmental department; instead the IDB uses an inter-departmental committee to assess the environmental impact of projects, while the Asian Development Bank and the African Development Bank both employ individuals to monitor environmental issues. (Sparks and Hosmer, June 1987: 10)

The Brundtland Commission (1987) urged that the regional banks' transition to sustainable development would "be facilitated by the establishment of a high-level office in each agency with the authority and resources to ensure that all policies, projects, and loan conditions support sustainable development, and to prepare and publish annual assessments and reports on progress made and needed." (p. 338) Donor governments were also beginning to apply pressure on the regional banks. The Wall Street Journal reported that in the wake of the World Bank's environmental precedents "the U.S. is pressing the African Development Bank, the Asian Development Bank and the Inter-American Development Bank to take similar steps." (The Wall Street Journal, July 8, 1987) Because of the continued pressure of the MDB Campaign and the World Bank's example, the regional MDBs began to initiate environmental reforms.

Inter-American Development Bank:

In the immediate time following 1985, the Inter-American Development Bank (IDB) started implementing some ad hoc, project-by-project environmental initiatives. According to the Sierra Club, the IDB's Porto Velho-Rio Branco Road Improvement Project "demonstrates that the banks can take environmental and indigenous peoples' issues into account." (Sierra Club, 1986: 20) They heralded that increased contact between NGOs, the IDB, and the Brazilian government led to the successful protection of sixty indigenous areas. They also expressed confidence that the bank's monitoring would guarantee the terms of this agreement. Finally, the IDB was commended for its Small Projects Program, which makes loans to nongovernmental organizations at very low to no interest and up to $500,000. This IDB program was praised for not only allowing opportunities for cooperatives and community organizations to control

development, but that this program was ideal for "locally controlled, ecologically appropriate, small-scale projects." (Sierra Club, 1986: 20) However, it was the pressures exerted by the MDB Campaign and the World Bank's example that catalysed the IDB and its Environmental Management Committee (CMA) into action.

The IDB began to initiate structural reforms in 1990. The IDB no longer relied upon the efforts of an inter-departmental committee to review the environmental impact of its operations. The IDB strengthened its commitment to environmental issues by creating a specialised unit in January 1990, the Environmental Protection Division. In addition, the Bank strengthened the technical staff responsible for environmental matters and officially assigned thirteen staff members to this division. (Rich, 1990b: 307) Presently, all of the Bank's operations are reviewed by the Environment Protection Division and the Environment Management Committee. The chief instruments for IDB implementing environmental policy are these two branches plus the Sanitation and Urban Development Division. In addition to structural reforms, environmental policy reforms were initiated at the IDB starting in 1989. In March of 1989, the CMA published the "Conceptual Framework for the Bank's Environmental Protection and Improvement and Natural Resource Conservation Activities." The IDB environmental plan accorded priority to six geographic regions: large cities, the Amazon Basin, the Caribbean Basin, critical hydrographic basins, humid pampas, and the Altiplano (IDB Environmental Committee, 1989: 5) The introduction of this new environmental strategy was supposed to enable the Bank to update its ongoing Environmental Work Program and extend it into the future years. This conceptual framework does play a significant role in the IDB environmental response. In combination with the Board of Directors' 1979 environmental policy and the 1980 Declaration sponsored by the international community, it is one of three documents that "provide[s] the general framework for the Bank's actions in the environment area." (IDB Environmental Committee, 1992: 4)

After a solid environmental blueprint had been created, the IDB still needed instruments to help implement its environmental plan. In February of 1990, the CMA expanded the IDB's environmental framework by approving new "Procedures for Classifying and Evaluating Environmental Impacts of Bank Operations." Another two

complementary environmental documents that the IDB adopted were: "Strategies and Procedures for the Interaction Between the IDB and Nongovernmental Environmental Organizations" and "Strategies and Procedures on Socio-cultural Issues Related to the Environment."

In the nineties, the IDB can now claim to have a formalized framework managing the environment and natural resources. The four main areas of action identified by the Bank are:

1) prevention and reduction of air and water pollution in urban areas;

2) increased ecosystem productivity by means of reduced soil losses and improved water use-through the introduction of appropriate agricultural practices, soil conservation and water shed management;

3) promotion of sustainable use of natural forests and fishery resources, assuring their conservation and directing their benefits to the local populations;and

4) conservation of the region's natural heritage, especially the biodiversity of the tropical rainforests. (IDB Environmental Committee, 1992: 4)

Overall, these policy reforms may have helped change the way the IDB views and responds to the environment issue. One Bank official has stated that

> concerning the Bank's environmental policies, there were a number of criticisms several years ago when the Bank did not have official policies or statement. Many-if not most- of these criticisms were taken into account by IDB staff when promulgating it publications. (Confidential correspondence dated October 1, 1992)

Certainly, these comments indicate the IDB portrays much greater environmental confidence in the nineties, but does this necessarily translate into environmental competence?

There is evidence that the IDB has improved its environmental response. For instance, when the IDB adopted procedures for environmental impacts, this action formalized "the previously CMA established practice of early identification of those Bank operations (loan and technical cooperations) that may have significant environmental impact." (IDB Environmental Management Committee, 1990: preface) In addition, the IDB is demonstrating an increased financial commitment to the environment. In 1991,

the IDB's Environment Protection Division and the Environment Management Committee reviewed and classified the environmental impact of 94 loans, 43 small projects, and 91 technical cooperations operations. (IDB, 1992c: 19) Of all loans approved by the IDB, 39 incorporated environmental components that protect or mitigate the project's impact. These components represent an investment of $600 million (IDB, 1992c: 20) In 1991, the IDB claims that it approved nine loans totalling $846 million that were designed to benefit the environment (IDB, 1992c: 19), such as a $4 million loan to help protect two national parks and rehabilitate three damaged ecosystems in Trinidad and Tobago.

The IDB sought to improve and define IDB and NGO relations in 1987. Regarding the environment issue, they tried to improve links with NGOs in environmental management and project execution. Because of the initiation of public consultative meetings, several positive results occurred in Bank-NGO relations. In May 1987, the Bank convened and hosted the IDB's first Consultative Meeting. Afterwards the IDB formed a working group to prepare a first draft of a working paper following up on the recommendations of the May 1987 meeting. In the midst of this work, the CMA's 1988 conceptual framework paper endorsed the idea of more extensive Bank-NGO collaboration. Then, at the Second Consultative Meeting in May 1989, the committee's work was presented. Finally, in May of 1990 the Bank's Environmental Management Committee approved and published the "Strategies and Procedures for the Interaction Between the IDB and Nongovernmental Environmental Organizations." The IDB's most recent effort to implement the NGO Policy was at its Third Consultative Meeting. In June 1991, in Caracas, Venezuela, the IDB "provided a forum to discuss the role that NGOs, local groups and communities of indigenous people play in the project cycle." (IDB, 1992c: 20) The IDB also wished to increase its participation in international environmental activities. For UNCED 1992, the IDB sponsored several preparatory reports, such as Our Own Agenda and Amazonia Without Myths. These two reports helped the IDB to create and shape a regional position for UNCED 92. As well, in June of 1991, a large part of the IDB's Third Consultative Meeting in Caracas, Venezuela, was devoted to the preparations for UNCED 92.

Despite all these commendable actions, the IDB has delegated environmental

responsibility to a division, not a department. After consulting a 1992 IDB organizational chart (IDB, 1992b, p.24), it may be safe to assert that the voice of this division may get lost in the bureaucratic shuffle upwards---it is not given direct access to "an ear" at the top. The IDB chart indicated that the Environment Division was combined with the Productive Sectors Division, and was one of three larger divisions answering to the Project Analysis Department. This department is one of eight departments answering to the Executive Vice-President, who is one step below the President. If staff members of the Environment Division wish to draw the IDB President's attention to an environmental concern, they would first have to go through a lot of middle management.

Asian Development Bank:

The Asian Development Bank (ADB) claims that it "has been involved in environmental programs for over two decades, and in the last five years has made environmental programming a major priority." (ADB, 1991: 1) This statement indicates that the ADB marks 1986 as the first year that it made real progress on the environment issue. In answer to criticisms of its environmental structure, the ADB initiated reforms in 1987. The ADB established the Environment Unit and it was then upgraded in 1989 to the Environment Division. In 1990, it became the Office of the Environment. The ADB now claims that this office allows the opportunity for "bank environmental officers [to] work closely with other Bank staff, with national line agencies, with regional and sub-regional institutions, and nongovernmental organizations." (ADB, 1991: 1) Although it is one of sixteen departments within the Bank, the ADB claims that the Office of the Environment plays an important role in the "day-to-day operations of the Bank's framework." Its role has been defined to include performing the following functions: providing technical advice; training bank staff; generating guidelines; reviewing and monitoring; performing impact assessment; and building a database. (ADB, 1991: 6-7)

Responding to the concerns over its environmental policies, the ADB also initiated some policy reforms in 1986. The Bank adopted an action framework in a paper called "Review of the Bank's Environmental Policies and Procedures." The paper "stressed

project review, the promotion of environmental awareness among the Bank staff, the establishment of the Bank as a regional resource centre, the strengthening of capacities in DMCs, and support for projects with direct environmental benefits." (ADB, 1991: 3) Then, in order to respond to the 1987 Brundtland Report, the ADB initiated what they considered to be "an attempt to translate the Commission's recommendations into relevant and achievable economic development and environmental protection programs for each country." (ADB, 1991: 5) The purpose of the ADB project was to make a preliminary check on the feasibility of the Brundtland recommendations, and if the findings were positive, to propose appropriate follow-up action. (Ludwig, 1990: 269) To attain this end, the Bank attempted studies of the economic and environment policies of seven Asian Pacific countries, including Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan, the Philippines, and Sri Lanka. Unfortunately, this project may require twenty years before any final conclusions are drawn. Despite this long time line, some positive spin-offs have occurred. To assist the Bank staff in their environmental work, six project cycle review reports are now prepared annually. As well the environment specialists accompany fact-finding, appraisal, and project review missions to ascertain the potential impact of environmentally sensitive projects proposed for Bank financing. (ADB, 1992b: 66)

In March 1992, the President's office produced a document, "The Bank's Medium-Term Strategic Framework for 1992-1995", for discussion among the Bank's staff. The leadership told its staff that "the pattern of recent development in DMCs has resulted in considerable adverse effects on the environment including pollution, deforestation, and land degradation." (ADB, 1992a: 15) Therefore, in order to protect the environment, the Bank has set out to pursue and support the following six priority areas:

- pollution control in the industry and power sectors;
- energy conservation and end-use efficiency;
- marine, water, land and soil resources management and conservation;

- environmental improvement in both rural and urban areas;
- interlinked poverty reduction and environmental improvement; and
- tropical forest management and conservation of biological diversity. (ADB, 1992a: 16)

However, by stating on an earlier page that "the Bank will continue to incorporate, **where relevant** [emphasis added], consideration of environmental impact into lending, TA and policy activities, and provide support for specific projects." (ADB, 1992a: 15), the Bank's president seems to give only conditional support for finding environment solutions. So, the implementation of the ADB's six priorities may in fact be hindered.

After the initiation of these policy reforms, the ADB now argues that it "operates under the assumption that economic development and sound environmental management can and should be mutually reinforcing" (ADB, 1991: 1) and that "environmental awareness has become an integral part of the Bank's decision-making process." (ADB, 1991, p. 5) What does the record suggest?

There is evidence that the ADB has improved its commitment to the environment. ADB lending for projects with environmentally positive benefits have "risen from less than $10 million annually in the early 1980's to $550 million in 1992. (ADB, 1992b: 27) In addition, the bank states that cumulative lending for environment-oriented projects of the 1980's totalled US $1.13 billion. However for 1991 alone it "is projected at over US $1.14 billion." (ADB, 1991: 4) Similarly, the ADB now recognises "the critical role NGOs play in the development process." (ADB, 1991: 8) In hopes of encouraging stronger links, this bank hosted an ADB-NGO Consultative Meeting in 1989. Since that time, it maintains it has been "working closely" with indigenous NGOs in project design, planning, implementation and evaluation because "cooperation with NGOs enhances the Bank's effectiveness both in environmental projects and in broader projects in several sectors." (ADB, 1991: 8) For example, the Bank requires and reviews initial environmental examinations (IEE) and environmental impact assessment reports of loans that are expected to have a significant impact on the environment. However, effective December 1991, the Bank now provides summary environmental impact assessment

reports on these large environmentally sensitive projects "to the Board as well as concerned groups or NGOs 120 days before their consideration by the Board." (ADB, 1992b: 66) The ADB also actively supported and participated in UNCED. For instance, prior to the Conference, the ADB sponsored a study of Pacific Islands developing countries.

African Development Bank:

Historically, the African Development Bank (AfDB) has always been slower in its environmental initiatives than most MDBs. Although the AfDB has been slower to respond to environmental criticisms, NGO critics noted that the institution had "recently responded favourably to the campaign's environmental critiques (Sierra Club, 1986: 20) One positive ad hoc measure was the Bank's initiation of a long term regional study. This project was viewed as a positive step in the development of better bank policies, and also as an important step "to sensitize African and international opinion to the danger of ecological deterioration." (Sierra Club, 1986: 20)

After the release of the Brundtland Report, the AfDB finally began taking comprehensive environmental action. In cooperation with the United Nations Economic Commission for Africa (UNECA), the AfDB produced an Economic Recovery Report "which highlighted the direct relationship between the economy and the environment, as well as the dependency of Africa's development upon the natural resource base, and stressed the urgent action required for arresting ecological decline." (ADB and ADF, 1990: 1) A sign of further progress was when the Board of Directors approved the adoption of the Bank's "Environmental Policy Paper" in June of 1990. The paper's four objectives were:

- to assess the state of the environment in the continent and assist Regional Member Countries in identifying major environmental issues;
- to present environmental policies for each of the sectors of the ADB Group project and non-project lending programmes;
- to present recommendations for the implementation of environmental policies and the use of appropriate environmental assessment procedures

in the project cycle;

- to assist Regional Member Countries in developing national environmental policies, legislative framework and institutions involved with environmental and natural resources management. (AfDB and ADF, 1991: 4-5)

This paper set up the basis of the AfDB environmental framework. It provided the bank with the following types of policies: general environmental policies; environmental policies for major ADB sectors; environmental policies for cross-cutting issues of the ADB Group; and environmental policies related to non-project lending. In addition, the paper even set a four point strategy for policy implementation. By 1991, AfDB's implementation strategy became more formal with the introduction of environmental and sectoral procedural guidelines. These guidelines are intended "to integrate an environmental impact process into the Bank Group's development projects and programmes, and to ensure that the environmental implications of all operations are considered and dealt with at all stages of the project cycle." (ADB and ADF, 1991: 36) In its 1991 edition of ADB Brief, the Bank has now listed "environmental management" as one of its 7 new areas of strategic thrust. In fact after macro-reforms, environmental management was listed as the Bank's second focus.

Although not as extensive as other regional banks, the AfDB has initiated some structural reforms. Between 1987 and 1992, the Bank reallocated environmental responsibility from an individual staff member to an administrative division. The Bank's Environmental Division is located in the central office of the Bank, so environmental decision-making has not been assigned to regional offices. In the AfDB's organizational hierarchy, the environmental division answers to the Central Projects Department. The Central Projects Department is responsible for "formulating and proposing projects and operational policies in the sectors where the Bank operates." (ADB Group, 1992a: 9) However the environment is not the sole focus of this department and the environment division must share departmental resources with six other divisions, such as Women in Development. As well, the Central Projects Department is one of eight departments under the Vice-President of Operations.

The AfDB has created some progressive NGO measures. Because it is estimated that there are more than 3,000 NGOs in the Bank's RMCs, (ADB and ADF, 1991: 53) the initiation and furthering of the Bank-NGO Policy is a politically appropriate move for the AfDB. In October 1990, the AfDB adopted a policy document on the Promotion of Cooperation between the AfDB and NGOs in Africa. Then the Bank hosted a Regional NGO seminar on "The Role and Mobilization of NGOs in Africa's Recovery and Development", a noteworthy meeting which even representatives from the UNDP and World Bank attended. At the seminar, the AfDB received important recommendations for forging closer collaboration between NGOs and the Bank. These recommendations provided the foundation for the preparation of the "Procedures, Mechanisms, and Guidelines for Cooperation Between The ADB and NGOs in Africa." After the Board of Directors granted approval on November 26, 1991, five forms of Bank NGO cooperation were added to the institution's framework, including: exchange of information; project formulation and implementation; monitoring, supervision, and post-evaluation; project financing; institutional support. (ADB and ADF, 1991: 1-5) For environmental NGOs, the 1991 additions were important because the environment was then officially recognized as a priority sector for Bank NGO pilot projects. (ADB and ADF, 1992: 6) This gave the African environmental NGOs a place in the bank's framework.

Have the Regional MDBs Improved Their Environmental Responses?

It appears the regional MDBs have been motivated by external criticisms and have tried to better accommodate the environment issue. In the late 1980's policy and structural reforms were carried out in the regional MDBs. As part of their reforms, there are three environmental activities that the regional banks have committed themselves to supporting. First, recent data from the regional MDBs acts as evidence and supports the conclusion that they have decided to back their commitment to the environment financially. Increased environmental lending often is used as a positive indication that these banks have a desire to protect and preserve the environment. Second, in response to external demand that environmental NGOs should have a greater

consultation role in projects, there is evidence that these banks have started to respond to this pressure. They have begun to institute changes that would enhance their links with NGOs. Third, the regional banks have also demonstrated an increasing level of active participation on the global environment issue. By initiating their own special reports, the regional MDBs created and shaped regional environment positions for UNCED 92.

Chapter Summary

In the seventies the banks had developed environmental responses that mainly emphasized the use of damage control measures in MDB projects. But many of the MDBs' critics deemed these responses to be insufficient and they decided to lobby the banks. Submitting to concerted public pressure, the banks attempted to ameliorate their environmental responses in the late eighties by initiating institutional reforms. By comparing the two types of environmental responses, it appears that, in the nineties, the MDBs do have a legitimate foundation for arguing they have tried to accommodate and respond to the environment issue. As compared to the seventies, they have strengthened their environmental policies, structures, and activities. Even though environmental structural reforms do not always indicate how the reforms have influenced MDB lending policy, these four institutions appear to believe in the improved quality of their environmental response. In fact, they can offer some collaborating evidence of such improvement.

Despite these reforms, many MDB critics are still displeased. Some realise that it was a mistake to assume that these institutional reforms would clear up the bank's environmental problems. They now realise that "such measures by themselves do not guarantee institutional reform and substantive change." (Rich, 1990b: 308) Perhaps critics were too quick to provide broad solutions that were then eagerly applied to all MDBs. It appears the critics may have ignored or maybe did not stop to appreciate the fact that they were attempting to influence four very dynamic and multidimensional institutions. In the next chapter there will be a discussion of the many complex factors which condition the development and creation of the MDBs' environmental responses.

Chapter Three

Understanding the Limits of MDB Reforms

Although MDBs continue to stress their commitment to environmental issues, it has been difficult for them to reconcile economic development with ecological sustainability. Internal and external contradictions, which are economic, political, practical, and theoretical in nature, have inhibited the MDBs from effectively implementing meaningful environmental reforms. They have run up against contradictions such as differing institutional roles, economic realities and contrasting philosophies. This chapter will explain the general reasons why the MDBs have not always succeeded in implementing their environmental reforms and then assess what specific factors may influence each bank's environmental response. The first part of the chapter will identify the internal and external factors that affect the MDBs' environmental behaviour. The second part will compare the World Bank's environmental responses to the regional development banks and then focus on the special constraints within each regional bank.

Bureaucratic Challenges

When attempting to initiate an environmental response, an MDB may have to contend with four possible bureaucratic challenges. First, coordination problems among staff and divisions on environmental matters is one possible bureaucratic impediment. In most MDBs there often is "a lack of coordination between the operation staff, who identify and prepare loans, and the policy, planning and research division." (Rich, 1990b: 306) Second, there often is a lack of incorporation of environmental policies into the MDBs' economic planning documents. Even though MDBs have theoretically recognized the environmental implications of their adjustment lending, sometimes there is an exclusion of substantive environmental analysis in some of their most important planning exercises, such as country strategy papers. This negligence means that practical attempts to incorporate environmental concerns into lending in any systematic way is negated. Third, among MDBs, policy coordination problems are increased when senior

management "on occasion has overruled the recommendations of [their] environmental staff." (Rich, 1990b: 317) The unfortunate fact is that some senior administration believe they are correct, yet they may be basing their decisions on imperfect sources of environmental information, such as country strategy papers. Within the MDBs, lack of coordination often results in the flow of environmental information being inhibited, disjointed, and incoherent. In addition, the feedback mechanisms on environmental matters is not as effective as it could be because there is no continuous connection among the MDBs' staff and divisions. Often, the end result is that communication breaks down and environmental issues are not attacked by the institutions as a whole, only by their parts.

Second, these coordination problems can be compounded by a perversion in lending priorities. Every year, the MDBs have enormous amounts of money to lend and a relatively small staff to administer it. Thus, MDBs and their officers are under great pressure to move money, and move it fast. If any staff members are interested in promoting environmental initiatives, they may be inhibited by the lending priorities of the greater institution. As a whole, one of the greatest MDB lending concerns is the utilization of staff. Pat Aufderheide and Bruce Rich (1988) have observed that "efficient use of staff often weighs heavier in lending decisions then the most efficient use of financial and natural resources." (p. 319) Unfortunately, this practice may result in the quality of loans taking a back seat to the pursuit of a higher goal, quantity. Because of this emphasis in lending priorities, it is much simpler for MDB staff to include environmental components in several projects rather than to try and justify investment in exclusively environmental projects, which would be more staff-intensive. This compromise means the MDBs are still making environmental concessions and efforts without jeopardizing their traditional lending practices.

Similarly, in the processing of loans, MDB staffs' personal interests may allow for further perversion of MDB lending priorities. Among bank staff, one of the greatest pressures can be personal career advancement. For instance, if a person wishes to advance in the institutional ranks, then moving money and creating oneself a large loan profile becomes a personal priority. This type of staff member would then try to avoid

projects whose purpose is to initiate environmental alternatives. Alternative technology projects, such as efficiency and conservation loans, are harder to prepare and move less money. In addition, small scale projects, such as extractive reserves in rainforest areas, are administratively intensive and not capital intensive. So, the personal lending priorities promoted by some MDB staff results in their efforts also being focused on promoting quantity rather than quality of projects. In such lending cases, the environment loses out. In addition, even if MDB staff wish to encourage environmental initiatives, there often is very little opportunity to do so. The overriding pressure to process money means that for many of the environmental staff "their field time is limited." (Stokes, 1988: 3252) This reduces opportunities for performing real environmental research and monitoring. Within the MDBs, little research has been performed on the economic consequences of small-scale projects, even though this type of original research would help the MDBs improve their environmental responses. As well, it appears that the MDBs' system encourages staff to spend more time churning out new environmental policy papers rather than ensuring proper implementation of policy that has already been accepted. Many of the MDB environmental staff appear to have become stuck in desk jobs--moving money and paper. So, these internal lending priorities of MDBs' may work against the pursuit of small-scale, innovative environmental initiatives. For MDB staff and the banks they represent, small scale and non-capital intensive environmental loans may appear less attractive because they do not meet bureaucratic priorities. Even if MDBs were pressured to process more environmental initiatives, "given their current structure, the banks claim with some justification, that they could not handle the load of many small scale projects." (Aufderheide and Rich, 1988: 318)

Staff composition, a third bureaucratic feature, may further inhibit the implementation of an MDB's environmental response. Generally the MDBs are dominated by economists, engineers, lawyers, and financial analysts. (Annis, 1986: 102) There are still very few trained ecologists on staff. As well, according to one source, most upper-level decision makers are economists and most non-economists who work at upper levels are "advisors." (Annis, 1986: 102) For the greater institution, this type of

staff composition is not conducive to initiating an environmental response. Even within the environment offices of the MDBs, ecologists are outnumbered by other types of professionals whose background does not include social policy analysis. In fact, most of the people responsible for implementing environmental policy are professionally trained economists and engineers. The staff composition of the MDB environment offices affects how the greater institution perceives and incorporates environmental issues into their loan structures. Economists and engineers are not always favourably disposed towards considering the social effects of environmental issues. Scientifically trained, some engineers may look upon environmental issues as a matter of controlling nature. If so, the solutions that they would offer are usually focused on mitigating environmental devastation through science and technology. Some economists may look upon environmental issues as a social matter which diverts money away from the intended purpose of the MDBs, economic development. Economists, who often tend to focus on short term benefits, would find it harder to appreciate the long term benefits of coopting environmental investment. Overall, the MDBs' current staff composition may predispose the institutions with a tendency to emphasize traditional lending practices and maintain their roles as economic development organizations, not as sustainable development organizations.

Staff conflict is a fourth possible bureaucratic factor that may affect the MDBs' environmental responses. For instance, it has been observed of the World Bank that

> debate within the Bank is just as lively as it is outside. The Bank's image as a sedate and homogenised bureaucracy is wrong. Its staff is divided into numerous competing schools of thought, and divided yet again by function and by hierarchial loyalties. The bureaucrats may keep their debates private, but the arguments are loud and long. (The Economist, September 27, 1986)

Many of the MDBs have experienced conflict among their senior management. To some observers, it may appear that MDBs' senior administrations have reacted in favour of introducing environmental reforms. Certain MDB Presidents and Senior Vice-Presidents have supported environmental initiatives. However, as one goes further down the hierarchy of leadership, support for environmental initiatives appears to be more conditional. There have been cases where key MDB environment officials have left after

lengthy periods of employment and recently created environment positions have been hard to fill. This evidence seems to indicate that the political pressures created by environmental issues may be very intense among senior management.

With dissension among top bank officials, it is not surprising that MDBs may also have to contend with the conflicts between field staff and senior administration. MDB Presidents may come out and support environmental reforms but this has not guaranteed that environmental policy will have the support of field staff. A top-down decision making process on environmental matters has proven to be ineffective, and some field staff still appear reluctant to implement reforms. Field staff reluctance has resulted in increased tension between the central administration and field offices. Concerning environmental issues, central administrations' main influence is usually the creation of policy and the production of environment statements for public consumption. The central MDB offices of Washington, Manila, or Abidjan do not look after policy implementation. It is the MDBs' regional offices which are responsible for the implementation of environmental standards in lending. Thus, the MDBs' central environmental departments/offices often find themselves marginalized from their project staff.

Bureaucratic conflict has inhibited the MDBs' environmental initiatives. Political infighting within the MDBs has fractionalized the staff and resulted in a further decrease in political will to support and implement environmental reforms. Without the necessary internal political will, MDBs' environmental responses are weakened.

Competing Goals

Competing goals are the second type of internal obstacle that may constrain the MDBs' environmental responses. First, the MDBs' traditional goals do not pursue environmental concerns. In fact, for some MDBs, the "new environmental focus is to some extent in conflict with... more traditional goals, like fighting poverty and increasing food production." (The Wall Street Journal, July 8, 1987) In addition, in the assessment of projects, the environment issue will be competing against many other new MDB goals. The many other new issues are: health and safety, local politics, appropriate technology, land ownership and reform, impact on women, local participation, equity considerations,

and general socioeconomic impacts. (Conservation Foundation Letter, November-December 1984)

So, when attempting to place the environment on their development agenda, the MDBs' task in assessing projects is complicated. Because of possible conflict and competition with traditional agendas, environmental issues cannot not always be effectively incorporated into the MDB framework. As well, when assessing a project, environmental ramifications are not the only factor the MDB loan staff must consider. There are many other competing health and social issues that also need to be balanced out. However, this is not to say that the environment issue is not compatible with the pursuit of these other considerations, nor that the issues of the environment and, for example, women in development are not intertwined. Yet, the environment must always share the MDBs' financial and staff resources, which already are limited, with other types of concerns. Overall, with this complex mix of goals, the MDBs task of creating a special and permanent place for the environment on their agenda becomes even harder, although not impossible.

Articles of Agreement

Articles of Agreement are a third possible internal factor that may constrain the MDBs' environmental responses. The MDBs were established by Articles of Agreement, which "have the status of treaties." (Rich, 1985: 681) Within these MDB founding documents, there are clauses which can be used to inhibit environmental initiatives, such as:

1) The Bank shall not provide for the financing of a project in the territory of a member if that member objects;

2) The Bank shall make arrangements to ensure that the proceeds of any loan made or guaranteed by it are used only for the purpose for which the loan was granted, with due attention to considerations of economy and efficiency;(the World Bank adds: and without regard to political or non-economic influences or considerations);

3) The Bank, its officers and employees shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by

> the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose and functions stated.

The spirit of the above clauses are found in all four MDBs. If they are opposed to environmental initiatives, bank staff and member countries may use these clauses to rationalize their anti-environment arguments. In fact, in the past, some MDBs' reluctance to consider the environmental impact of projects was in part due to overly restrictive interpretations of the Articles of Agreement. Some people still argue that the proper MDB focus is narrowly defined to economics and development and that it does not reach environmental concerns. However, Todd K. Martens (1989) argues that in fact they are authorized to respond to the issue. He believes that these articles "are not as tight as to preclude environmental policy-based lending" and that "environmental policy is no more political than economic." (p. 501)

So, are the MDBs authorized to embark on environmental based policy lending? Yes. These clauses are meant to be guiding principles for the institutions, not eternal laws set in stone. However, to respond effectively to environmental issues, the MDBs, especially the World Bank, must initiate public discussion of their articles of agreement and encourage wider interpretations of them. As well, for more effective MDB responses, environmental protection can no longer be viewed as a diversion of funds from economic growth. Institutionally, the MDBs must conceptually define sustainable development. They must clarify the economic benefits of good environmental management and effectively demonstrate the economic costs of permitting whole-scale environmental deterioration.

Further discussion of their articles of agreement may help clear up other discrepancies. One MDB problem is that there is "no built in way to raise alternatives." (Conservation Foundation Letter, November-December 1984) As well, a major constraint on MDB promotion of alternative technology is a bias towards large scale, capital intensive projects that is built into the bank operations. In the present loan system, there is still a stigma attached to small-scale, especially labour-intensive loans.

Thus, the MDBs' conceptual framework must be changed. Changes in operating policies, analytical approaches, and even the conceptualization of development are required.

Finally, environmental responses have been inhibited when the MDBs have narrowly applied neoclassical economic models. The MDBs calculate a project's rate of return through cost-benefit analysis. A favourable rate of return is based on calculation supported by quantitative data. A development project will attain approval if it first promises a favourable rate of return of at least 10%. (Aufderheide and Rich, 1988: 304) However, traditional cost-benefit analysis has two general drawbacks. First, this system relies on data and statistics. Second, there is a tendency for this system to focus on factors that can be expressed in dollar terms. With these impediments, it is not surprisingly that traditional cost-benefit analysis allows little room for consideration of social, cultural, and environmental elements within MDB projects.

This system has several technical problems which inhibit the fair assessment of environmental costs. Generally the economic costs of environmental degradation are not easily quantified or measurable. It becomes even more problematic to try and slot these environmental considerations, financially and statistically, into an economic formula. Second, many MDB analysts find the quantification of environmental costs for Southern countries particularly challenging. They face considerable technical problems when supporting data does not exist. As well, the necessary statistics and other economic indicators for Southern countries are notoriously unreliable and often subject to political manipulation. (Aufderheide and Rich, 1988: 305) Combined with these technical problems, certain practices of the MDB staff practices may contribute to environmental costs being assessed unfairly. First, environmental costs are often prepared in isolation of social cost. Since these two considerations are very intertwined, this bias is unfair. Traditional cost-benefit analysis has often ignored the people affected by the projects. So, when evaluating the environmental aspects of a project, cost-benefit analysis is isolated from being influenced by any real social information. Second, there has been a tendency for analysts to undervalue environmental costs. Because environmental costs are so subjective, there are many opportunities for devaluation by personal biases. Under

this system, ecological destruction is treated as an externality or a trade-off in exchange for other benefits. This model is particularly limited when attempting to make investment calculations when non-renewable natural resources are involved. Obviously, the application of traditional methods of cost-benefit analysis in assessing MDB projects has helped to inhibit the MDBs' environmental responses.

Certain critics have offered suggestions which may increase the MDBs' ability to assess the potential negative effects of development projects and improve the sophistication of the neoclassical model. For instance, Bruce Rich (1985) has advocated that the MDBs should try to quantify the long-term economic costs of some environmental impact then include these costs in bank-loan preparations and appraisal work. Second, to assess the overall value of a project to society, the MDBs must ensure that the traditional financial cost benefit analysis is supplemented by social cost benefit analysis.

Even though ecologically sound planning may make for better development, the MDBs' and their staff have not been shown that it makes institutional sense. As shown above, the environmental agenda has yet to overcome many internal complications in order to be fully incorporated into the MDBs' internal framework. Historically, the MDBs have looked upon themselves as lending institutions, not hands as on development agencies. In the eighties, they recognized this was not an accurate perception of their real role. Perhaps this realization was part of the reason why they have tried to improve their environmental responses.

Will Internal Reforms Make a Difference?

Even if the MDBs do try to ameliorate their responses by promoting internal change, will these internal changes really make a difference? The MDBs can try to respond to environmental issues by making changes to their institutional frameworks, but this may only allow the MDBs to avoid half of the obstacles in their path. The contradictions the MDBs can hope to affect most or make disappear are largely internal. However, it is not only the removing of internal mitigating factors which will determine the future progression of the MDBs' environmental responses. There are important

external contradictions, which result from conflicting pressures placed on the MDBs by donors, borrowers, and the international community, that need to be considered. Given that there are other factors which weigh upon the banks, that are not and cannot be controlled by the MDBs, can the MDBs really change their behaviour on their own? Or, must other external parties be convinced to allow them to change and provide MDBs with the necessary support?

For MDBs, their deeper problems can be linked to fundamentally simultaneous and contradictory external pressures that are exerted by their constituencies and the international community. In response to these demands, the MDBs may often offer or express contradictory environmental action, and may even lapse into institutional paralysis. The MDBs interact mainly with three constituencies: their environmental NGO critics, their donors, and their recipients. These constituencies exert simultaneous and often contradictory external pressures on the MDBs.

Environmental NGOs

As compared to the sixties, the environmental critics' nineties strategy "is much more comprehensive and sophisticated." (Multinational Monitor, 1990: 7) Over the decades, they have changed their tactics and have effectively broadened their umbrella of support. They have become much more adept at the banks' political game and thus have created additional political and financial pressures on the banks. In order to be more effective in influencing the banks, the environmental critics expanded their membership and agenda.

In the sixties, the banks' environmental critics were mainly comprised of people from NGOs. The NGOs may have protested against the MDBs' actions, but did not do so in an effective manner. These organizations had few funds, were not well organized, and were often unable to gain access to bank circles. Within the banks, the NGOs had little to no respect. The inability to communicate effectively in bank language meant NGOs found negotiations with and presentations to bank officials very difficult, intimidating and frustrating. As a result the MDBs did not take the NGOs seriously. In the seventies, the environmental critics expanded their membership to include

professionals with technical expertise. Coopted were experts from intellectual circles such as think tanks, and scientific organizations. The advantage gained was that these professionals were able to assimilate, understand, and communicate in the same language as bank officials. For instance, the International Institute for Environment and Development (IIED) and World Bank relations flourished because of a friendship between its founder, Barbara Ward, and World Bank President Robert McNamara. Another important addition to the environmental critics was the support of individuals from the scientific community. At times scientists have helped to clarify the environmental agenda. Their special expertise has allowed for the opportunity to view the environment from a more scientific perspective. Sometimes this has helped to depoliticise environmental issues. At times, they have made it easier for the banks and the international community to understand, accept, and implement the NGOs' agenda. Intellectuals and professional experts, who "were not awed by the" MDBs, increased the critics' commonalities with bank staff and helped this group of environmental critics gain more respect within bank circles. (Stokes, 1988: 3251) However, despite the higher standing with the bank officials, they still lacked influence over policy. These critics could not pressure the banks to become more environmentally accountable. As one observer put it, "there wasn't an effective lobby to challenge the [MDBs] through the purse strings and in the [news] media." (Stokes, 1988: 3251) In the eighties, the environmental critics began to look for alternative paths to influence bank policy. They realized that their biggest difficulty was that the MDBs are not accountable to a specific audience. However, the critics decided that the most efficient political strategy was to approach donor governments, the tax-payers of those nations, and the news media. So, for the second time the environmental critics decided to reorganize. Their new strategy culminated in the start of the MDB Campaign in 1983. Thus, environmental critics have been able to create successful external political and financial pressures that have led to MDB environmental reforms.

Over the years, the NGO critics have supported an ever expanding MDB agenda. The goals of the NGO critics have revolved around "fundamental restructuring", a term that refuses to remain static and whose concept has continually been evolving. In the

eighties, the NGOs believed the lack of an environmental response from the MDBs was rooted in organizational shortcomings. The NGOs sought four major reforms, and they included:

1) greatly increased environmental staffing;

2) regular involvement of environment and public health ministers in project planning and implementation;

3) local non-governmental and community organizations' participation in project design; and

4) a shift in lending priorities so that the banks finance a greater number of environmentally beneficial projects. (Aufderheide and Rich, 1988: 317)

Despite demands for these four reforms, the NGO critics were not able to accomplish their entire agenda. Increased environmental staff and more regular involvement of environmental and health ministers, especially at the World Bank, were the two revisions that NGO successfully pressured the MDBs to adopt. Because these could be controlled by the central administration, the critics first two demands were much easier to implement. Institution-wide acceptance of the last two goals was much harder to attain. It was also difficult to measure their success because central offices did not retain sole jurisdiction over implementation of them. So, NGO demands for NGO involvement from borrowing countries and a shift in MDB lending priorities had to be fought for in every individual project. Even in 1988, NGOs were experiencing difficulties in achieving their total agenda. Now, in the nineties, NGOs maintain that the MDBs have not gone nearly far enough. Consequently, they have set their sights on placing more pressure for a more fundamental reorientation of the banks' approach to development. The critics' agenda focuses on three additional goals:

1) unity of design - ecology and economics must be made an integral part of development planning;

2) alternative development projects need to be promoted that are both ecologically and economically sound; and

3) greater grass-roots participation in planning. (Aufderheide and Rich, 1988: 316)

The critics believe that the MDB adoption of these three reforms is necessary and urgent. They believe these changes would allow the MDBs to "to quantify the long term economic costs of some environmental impacts and include these costs in bank loan preparation and appraisal work." (Aufderheide and Rich, 1988: 3)

Despite the positive influence they have had on the banks, the environmental critics have created conflicting, external pressures on the MDBs. In certain ways, the NGOs may have confused the MDBs' environmental agenda and responses. Analysis reveals that there is a divisive debate among NGOs concerning the MDBs. Internally, NGO critics are divided on the question of the utility and future direction of the MDBs.

The first point of contention concerns MDB reform or abolition. According to Bruce Stokes (1988), the differing opinions within NGOs may be a result of the fact that "the banks and NGOs have differing economic views." The MDBs' top priority is "worldwide growth," whereas many NGOs focus on matters of "equity." (p. 3253) Within the NGO community, some organizations take the need to pursue equity as the most necessary matter, no matter what the cost. Other organizations seem to realize that a compromise with the banks is required. The Environmental Defense Fund and the Sierra Club believe the banks to be necessary international creations and that they are reformable. Sierra Club publications have argued that the banks are necessary creations and "can support small-scale, environmentally safe projects when they want to." (Sierra Club, 1986: 8) One representative of the Environmental Defense Fund stated "we are stuck with these banks. One way or another their importance is going to increase economically. One has the choice of trying to influence them or not." (Multinational Monitor, 1987: 14) These NGOs advocate trying to work with the banks and introduce environmental reforms. On the other end of the NGO spectrum, representatives from NGOs such as Probe International believe the MDBs are environmentally destructive and that "these institutions- neither reformable nor worth reforming-should be closed down." (Adams, 1991: 184) Alliances within the NGO community are tenuous. As one observer noted, "in the past, for the sake of lobbying Congress, there have been strange marriages of convenience between conservative bank bashers, such as Heritage Foundation, and liberal groups." (Stokes, 1988: 3252)

In addition to the tensions among various organizations, there is also tension between Northern and Southern NGOs. Although NGOs of the North and South offer similar analysis of MDB policies and share a mutual supportive relationship in working to criticize the MDBs, their motivations and goals are different. The Northern NGOs have become involved in the MDB-environment issue more on the basis of principle than need. They saw the MDBs were not upholding their agreement for environmental standards, they saw MDBs had no impetus for public accountability and they wished to do something about righting this wrong. Although they also sought to make the MDB environmentally accountable, the Southern NGOs became involved in the MDB Campaign because it was a matter of self-preservation. Many Southern activists refused to allow the continued silent destruction of their home and culture. They wanted to draw global attention to the ecological and social devastation created by MDB mega-projects.

As well, tension between Southern and Northern NGOs has risen because of divergent environment and development agendas. Northern NGOs' goals have been to promote alternatives which lead to such ends as the conservation of natural resources and the protection of biodiversity of species. However, the Southern NGOs' agenda is much less about conservation of resources and more about the social issues that arise out of development projects. The Southern NGOs draw attention to the fact that MDB projects have resulted in mass migration or forced relocation of many peoples, who eventually become environmental refugees-- homeless, landless, and starving. They note that, in some borrowing countries, certain large scale projects have promoted such problems as increased disease and the loss of culture and cultural lands. Hence, many Southern environmental activists argue that most environmentalists of Northern NGOs have "a tendency to discuss the environment in terms of natural resource management" and thus ignore the interests of the people who live in the environment they want to protect. (Multinational Monitor, October 1990: 7) Specifically, Conservation International and World Wildlife Federation have been "two groups accused of adopting a resource management approach." (Multinational Monitor, 1990: 7)

For the MDBs, the factions within the NGO community affect the creation and pursuit of an environmental agenda. The MDBs have not gained a comprehensive picture

of what direction the NGOs would like the MDBs to take. Depending upon which NGO organization is contacted, MDBs will be offered varying ecological solutions. As well, the varying agendas of Northern and Southern NGOs have confused the MDBs' responses. The MDBs are caught in the divisive debates among their critics concerning the type of global environment/development agenda that should be pursued. This conflict directly impacts on the MDB donors as well. Because of the MDB Campaign, donor countries have been convinced to use their foreign aid as an incentive/punishment for influencing MDB environmental behaviour. However, by supporting the Northern NGOs' agenda--MDB donors are supporting a resource management approach. Because of the pressure exerted by donors, the MDBs are susceptible of being led in this policy direction as well. The MDBs then run the risk of increasing the criticisms coming from Southern NGOs.

Donors and Recipients

The MDBs' environmental responses are conditioned by the concerns of their member governments, specifically their donors and their recipients. In general, donor governments exert a financial bias which may work against MDBs' environmental responses. Donor governments seem to view money as the best indicator to use when measuring the MDBs' effectiveness and success. If an institution makes a profit, then it is granted a high rating of success. It appears that MDB internal lending priorities are not the only force pushing MDB staff to move money. Donors reinforce this internal "propensity" and heighten the MDBs' pressure to move money. (Rich, 1990b: 319) In order to be fully condoned by donors, environmental aspects of MDB loans must always try to coopt the donors' bias of profit equals success. This donor bias may work against and limit the MDBs' environmental response. Donors want the banks to invest in the environment, yet the MDBs must also show and maintain a high profit margin. If profits go down, then the donors would be unhappy. It appears then environmental considerations are a luxury the banks can afford only in times of financial success.

As well, the donors have placed additional pressure on the MDBs by advocating that the MDBs be made responsible for multiple contrasting international roles. As one

observer noted, at the same time environmental reforms were initiated in 1987, the importance of the MDBs "as international economic and political arbiters has begun to increase dramatically." (Rich, 1990b: 306) Donor governments advocate that the MDBs need to become more environmentally accountable. For instance, certain American officials have publicly advocated "that it makes more sense economically to design projects properly and avoid environmental destruction that would cost a lot more to fix later." (The Wall Street Journal, July 8, 1987) Meanwhile, the donors also want the MDBs to resolve the Southern debt crisis. Donors advocate that increased multilateral lending, which is preferred over private lending, is the solution to the debt crisis. This then places the MDBs in a restricted lending position. Environmental investments, which MDBs assess for their long-term benefits, are down-played. The focus of donors and MDBs becomes the greater benefits/returns that debt-ridden countries will receive from short term financial relief. Because the MDBs are asked to be responsible for responding to the debt crisis and environment, they are in essence pursuing contrasting international roles and conflicting objectives. The outcome is that the environment usually ranks second behind solving the debt crisis. What will now happen after the Rio Conference? Certain banks have been given more international environment responsibility. Will they be able to cope with their multiple roles and objectives?

Finally, the donors' advocation that MDBs should utilize leverage to convince recipient governments to comply and implement environmental standards has created problems for MDBs. Leverage, as defined by Mason and Asher (1973), can be exercised by advice and persuasion, strengthened perhaps by the expectation of reward or punishment, and by conditions attached to the loan that must be fulfilled before or during the process of financing. (p. 421) However, they pointed out that the MDBs' ability to influence development policy in a recipient country depends very much on the political support that can be generated for the proposal. If support is complete then no leverage is needed. To make leverage work--some element in the borrowing country must think it is worth meeting these conditions.

Most MDB recipients hold a much different view on the environment issue than donors. There is no real nor considerable pressure from borrowers to remedy the

MDBs' lack of attention to the ecological effects of their sponsored development projects. At times, the banks' recipients are not overly pleased with some of the MDBs' environmental reforms. Specifically, leverage is a source of friction. Within the MDBs, recipients represent a force resisting loan conditionality of any kind, particularly environmental. The governments of Brazil, India, and Indonesia are the most vocal opponents.

As elaborated by Le Prestre (1989), generally the borrowing governments utilize four points to argue against environmental conditionality in MDB loans. Additionality is one argument that the borrowing countries utilize. They point out the fact that extra money is required in order to have environmental standards and projects. Their concern is that they will have to pick up these extra costs. Overall, they see these environmental conditions as the North imposing standards on the South. In the end, it is the South that will have to pay the extra environmental costs. Many Southern governments, who may already be in severe dire straits, balk at paying these additional costs.

Compensation is another Southern argument used against environmental conditionality. They argue that, for incurring and paying extra environmental costs for safer equipment and limiting the use of nonrenewable resources, which reduces national revenue, the Southern countries should receive compensation. Essentially, this means that for good environmental behaviour, the North should reward Southern efforts. Southern governments advocate that this measure would also ensure that nations are provided with an incentive to be environmentally conscious.

Third, sovereignty is an argument that arises. The South argues that the North has no right to tell Brazil or Malaysia how to run their development process. Northern countries were allowed to exploit what they wanted, so why should Southern nations not be given the same opportunity to develop. American officials insist that the USA is not anti-growth and claim "we don't have to make a choice between development and the environment." (The Wall Street Journal, July 8, 1987) Yet, some Southern governments believe any requests for limiting development is an infringement on their national sovereignty. For instance, Brazil's President Jose Sarney asserted in 1989 that "persuasion is giving way to attempts at intimidation, to explicit and veiled threats that

even question the principle of sovereignty of states." (The New York Times, March 31, 1989) In addition, the Mayor of Arqiquemes, Brazil is of the opinion that the donor nations are "blocking the development of Brazil, and principally of Rondonia." (The New York Time, March 31, 1989)

Resource limit is the fourth and final type of argument often used by Southern governments. Southern countries only have so many avenues open for making a profit on exports. As resources are limited, recipients argue that they should be allowed to exploit what they can. They argue that the donors have yet to show "how, for instance, Indonesia can make up for the loss of foreign exchange if it agrees not to cut timber." (The Wall Street Journal, July 8, 1987)

Out of context, these four arguments may make it appear that recipient countries are willing to sacrifice the environment at any cost. Yes, there are instances in which "public officials and business in LDCs tend to be willing to accept dirtier rather than cleaner air, and more rather than less stream pollution since the effects in their minds are necessary concomittants of the desired industrialization." (Mason and Asher, 1973: 259) Yet, even within these countries, there is no monolithic opposition to imposing stronger environmental standards. In fact, there are several Southern government officials who will argue for "environmental and social measure that equal or even succeed" those of MDBs. (Rich, 1990b: 320) Within Southern civil society, there often is even stronger support for accepting environmental responsibility. However, in most situations, environmental advocates are not able to mount a serious enough challenge against those who have vested interests in their country, the upper class. In other words, they often can not block the actions of those who are the promoters and chief beneficiaries of MDB projects. Unfortunately, it is in these situations of divided domestic support and lack of foreign funding that the MDBs can do the most harm. By granting funding under these circumstances, the MDBs help to legitimise ecologically devastating projects that otherwise might never be attempted.

However, not all recipient governments should be condemned as environmentally immoral. Stein and Johnson (1979) noted that "offers of help by aid agencies to ensure environmental soundness in projects are generally welcomed by recipients governments,

if they avoid excessive interference with government's development priorities and do not threaten to slow down development." (p. xiii) There are many Southern governments who are willing to try to cooperate on environmental issues. For instance, in 1992, The Economist reported that the landlocked nation of Laos was trying to conserve some areas of its national forest. It had "banned the export of logs." In addition, Laotian officials cancelled a World Bank project to build a dam "because of the harm it might do to the environment." However, due to its lack of financial options and funds and immense debt, Laos is having immense difficulties maintaining its environmental goals. The government cannot afford to pay its army, so the army has been permitted to cut trees for export to Japan. (The Economist, April 11, 1992) In many other countries, the environment has to share resources with other priorities. For instance, some leaders of Southern countries express the concern that "we have to worry, too, about infant mortality and malnutrition. about all those children abandoned in the streets." (The Wall Street Journal, July 8, 1987) In addition, they often point out "let's not forget that it is the need to repay debt that is forcing countries to deplete their own natural resources."(The Wall Street Journal, July 8, 1987) Even if a recipient government wishes to prepare environmental loans, the costs of such loans may be deemed as too high. Just like the MDB loan officers, recipient governments find efficiency and conservation loans are hard to prepare and bring in less money. Often, in cases where the implementation of environmental projects or components are involved, "a complex web of government and cooperative policies often force Third World leaders into making tough economic choices." (Multinational Monitor, June 1987: 6) More often than not, borrowing countries' marginal situations force them to place the environment issue on the back burner.

Overall, the simultaneous and conflicting pressures created by their main constituencies decreases the effectiveness of the MDBs' environmental responses. Matters can be even further complicated when there is friction between their constituencies.

When initiating environmental reforms, the MDBs must always recognize and overcome obvious divisions between donors and recipients. The Northern governments

are trying to force the Southern governments to actively support the MDBs' environmental agenda. The Southern governments have reacted to the strong, biased agenda that Northern governments are trying to instill in the MDBs and impose on the borrowers as well. Some Southern developers argue the donors "have yet to show us any practical alternatives." (The Wall Street Journal, July 8, 1987) Unfortunately, the MDBs are caught in the midst of their members' conflict over environmental responsibility and the nature of the development agenda. Often times they can not effectively impose environmental conditionality on borrowers without being accused of imperialism. The MDBs do not dare to push the environment issue too far with borrowers, because they need borrowers to move money. Yet on the other hand, if the MDBs do not take a firm stance on the environment, then they risk losing the financial backing of their donors. However, one can empathize with the Southern argument that "you can't talk about environmental protection to a country that's on the margin of survival." (The Wall Street Journal, July 8, 1987) Perhaps MDBs should try to work harder to educate their donor governments on Southern conditions. Because as one observer put it "until donor countries look at underdevelopment in its totality, many debt-ridden developing countries will listen politely... but continue their environmentally harmful practices." (The Wall Street Journal, July 8, 1987)

As well, the MDBs must contend with the obvious tensions between some recipients governments and NGOs. Some Southern governments are suspicious of NGOs and local community organizations. In some cases the tension has been so high that local NGO leaders have been murdered. This was the case, for example, when a vocal Brazilian rubber tapper leader, Chico Mendes, was gunned down in his home on December 22, 1989. Internally, NGOs are sources of opposition to existing government policy. Externally, in relations with MDBs, they are seen as forces that can weaken the exclusive claim of central government to represent local interests. In fact, some MDB recipients have begun to complain of "cultural imperialism" and are arguing that "Southern NGOs are doing the bidding of their Northern mentors." (Stokes, December 1988: 3252) Thus, the Banks' efforts at opening up their environmental decision-making process and including input from environmental NGOs can be frustrated by their recipient

governments. By holding back on their commitment to include environmental NGO's, particularly Southern NGOs who can supply valuable field information, the MDBs suffer increased scrutiny from all their critics.

For the MDBs, the NGOs are probably the easiest audience member to ignore. The pressure that NGOs can apply is usually indirect and will never hit the banks head-on, that is unless they get the donors' support. However, the MDBs must always walk a fine line between their donors and recipient governments. Support from both these parties is necessary for ensuring the MDBs continued existence and success.

The International Community/Setting

The MDBs' environmental responses have been also influenced by the international community. This international factor includes the United Nations, international conferences, and international commissions. Because of their influence, the banks' dealings in development are no longer limited to policies and practices that only improve GNP. This community has helped the MDBs to devise and appraise their development goals and strategies to become a better development agency.

Since Stockholm, the concept of environmental management has been broadened into the concept of sustainable development-which requires the inclusion of social, cultural and economic values. From the seventies, the negative attitude of "stop pollution" has evolved to a positive outlook "to develop in a sustainable manner." There have been profound changes in attitudes toward the environment issue. Southern countries no longer see the environment as such a hindrance. Overall, the United Nations system as a whole has made concrete environmental plans, and the MDBs are being swept along as well. For instance, the Brundtland Commission of 1987 had several recommendations for the MDBs. This Commission believed that "the World Bank...and the regional development banks warrant special attention." (p. 337) They thought it was "imperative that they play a leading role in helping developing countries make the transition to sustainable development." (p. 337) They applauded World Bank efforts and called it a "promising beginning." (p. 337) As well they urged all MDBs to make "a fundamental commitment to sustainable development" and to transform their

"internal structure and processes." (p. 338) Is sustainable development a problem for the banks? Bruce Rich argues (1990b) that the MDBs have "enthusiastically" embraced the Commissions's argument that the revival of economic growth is the way toward sustainable development. Yet, he says they "virtually" ignore many of the Commission's other strategic imperatives, such as "the need to conserve and enhance the resource base and the need to change the quality of growth to one that is less material and energy intensive." (p. 325) As a result, he sees the MDBs as having developed their own meaning for sustainable development and that they are "at odds with the requirements of ecological sustainability." (p. 325)

International conferences organized by IGOs have helped the MDBs gain international standing. Maurice Strong (1992) is of the opinion that the Stockholm Conference "put the environment issue on the world agenda." (p. 4) Twenty years later, the Rio Conference "moved the environment issue into the centre of economic policy and decision making in virtually every sector of our economic life." (p. 4) From June 1 to 12, 1992, the first ever "Earth Summit" took place in Rio de Janeiro, and was toted as having been the largest international conference ever organized. One of the objectives of UNCED's Earth Summit was the review of the current state of the environment and the changes that have occurred since Stockholm. In addition, the conference was charged with mapping out an environmentally sustainable development strategy for the coming decades. There was the adoption of the "Earth Charter", a moral framework for environment and development. In addition, two conventions were signed at the conference concerning the issues of climate change and biodiversity. As for specific interventions on issues not covered by international conventions, they were addressed by Agenda 21, an environmental action plan for the 21st century covering forests, desert recovery, environmental incentives, etc. What have been the implications of this Conference? Just after the Conference, one new source ran an article entitled "Rio Organizer Warns of Tragedy." Maurice Strong, the Secretary-General of the Earth Summit, was quoted as saying that

> it remains to be seen whether the planet is on a new track. A lot has been agreed and we have a basis for a far more successful future than we had at the beginning

> of this conference. But we have to have the political will to make it work. (The Guardian Weekly, July 21, 1992)

Strong urged "we cannot lapse back as we did 20 years ago, after the first conference in Stockholm. We have wasted 20 years." (The Guardian Weekly, July 21, 1992)

Six months after the Earth Summit, when giving the O.D. Skelton Memorial Lecture in Vancouver, British Columbia, Strong seemed more positive about the 1992 conference. He admitted it was still "too early to tell what its ultimate results will be." (p. 4) and he reiterated that it "will depend on what governments and others do now to give effect to the agreements reached at Rio." (p. 4) Even though he was discouraged by many governments' preoccupation with other matters, he was pleased to report that "there is a great deal of promise in what is happening at the grass-roots level. Seminars, conferences and new initiatives in follow-up of Rio are proliferating." (p. 9) He believes that "Rio has produced a broad and growing constituency throughout the world, committed to fulfilment of the hopes and expectations it engendered" and that "this grass-roots movement will infuse the political process with new energies that will...lift us out of the politics of the status quo." (p. 9) Considering that Strong was the Secretary-General for both Stockholm and Rio, his positive observations provide hope that Rio has in fact initiated some real global changes.

The Significance of Internal and External Contradictions

Some critics, such as Cheryl Payer (1982), would argue that consideration of MDB internal factors is a moot point. She has advocated that the MDBs should be "treated as a black box which produces policy and practice." (p. 345) However, to ignore the inner workings of the Bank in this thesis would be an immense oversight. Internal contradictions have been shown to be factors that are partly responsible for inhibiting the effectiveness of the MDBs' environmental response. Yet, despite their presence, internal contradictions are obviously not the sole constraints on MDB environmental responses. In fact, it is the external constraints, created by the NGOs, the donor and recipient governments, and the international setting, which affect the MDBs the most. These external pressures are usually simultaneous and contradictory. As well,

these groups sometimes clash and create even further pressure on the MDBs. There are so many people who expect so many different things from the banks. Everyone concerned seems to have an agenda that they want the banks to pursue. Sometimes these demands lead the banks in the wrong direction, or they may become institutionally paralysed. Today, just as Mason and Asher observed in 1973, it is a running battle between those who want the banks to concentrate on doing what they have learned to do well and those who want them to exercise leadership across the whole spectrum of development. Aside from environmental issues, the banks are often expected to be responsible for concerns such as poverty alleviation, food production, human rights, women's issues, and debt relief. The list of demands appears endless. Regarding the MDBs' environmental policies, the barriers to implementation appear to be more political and institutional, rather than technical or procedural. Most of the political and institutional barriers are a result of the pressures created by outside interests, and not by internal bank interests. Most of the barriers to implementation are usually not within the banks' control, so the MDBs just have to work around them as much as possible.

An Inter-Bank Comparison

Although they are similar in several ways, each one of the MDBs is a unique and distinct institution. Years ago, Escott Reid wisely observed, "some divergencies are desirable. The errors of one lending agency can be corrected by action of another lending agency." (Reid, 1973: 154) As well, it is incorrect to assume all the MDBs' environmental responses have developed out of a similar context. There are many factors which can influence each MDB's environment policy. While constraining some MDBs, some factors may give other MDBs an advantage. So, when responding to the environment issue, each MDB will approach the subject in a different manner. To engender appreciation of their differing environmental approaches, this part of the chapter will show that all the MDBs' motivations and circumstances are not the same. Specifically, by comparing the World Bank to the regional banks and assessing the special constraints present within each of the regional banks, this section will assess the various factors that have impacted each bank's environmental response.

The World Bank Compared to the Regional Banks

When attempting to incorporate the environment into its framework, there are factors/characteristics which can give the World Bank an advantage over the regional banks. Conversely, under certain circumstance the regional banks can provide environmental responses more easily than the World Bank can.

Years of Experience:

Assuming that environment and development are connected issues, it is not surprising then that the World Bank has led the way for the regional development banks on the environment issue. At times, a greater number of years of combined experience gives the World Bank some advantages. First, it has had an advantage in the general area of development. The World Bank was created in 1944. The regional development banks entered the development field at a later time. The IDB was founded in 1959; the ADB commenced operations in 1966; and the AfDB opened its offices in 1966. Thus, as the first established MDB and alone for fifteen years, the World Bank has been working in the development field the longest. As well, the World Bank has an advantage of more years of experience in responding to the environment issue. The World Bank recognized the environment issue in 1970, and organized a special unit to respond to the issue. In comparison, the regional development banks only started recognizing the issue in the seventies, and then assigned environmental responsibility to a set office in the late eighties. In fact, the environment offices that they set up were based upon the World Bank's example. So, in the area of the environment, the World Bank has had about a seventeen year advantage over the regional MDBs.

Among many authorities, the World Bank is considered to be the most experienced and effective example of an MDB working in the development field. There often is a much lower regard for the environmental and developmental efforts of the regional banks, although this may be an unfair bias to place on the regional banks. After all, it is not surprising that at times the World Bank has appeared to surge ahead of the regional banks on environmental issues. Its combined years of experience in the areas of environment and development have given the World Bank an advantage. This alone

does not attest to whether it handles the environment issue well or not, but it does indicate that the World Bank has gained more of the necessary experience and presumable confidence needed in handling the environment question. The regional development banks have had less time to acquire such experience. In 1970, the World Bank was well established in the development field and was ready to take on and respond to the challenges of the environment. At this time, the regional banks were still trying to establish their lending presence in the development field and thus could not afford to divert too much energy to this new concern.

However, in an interesting twist, the regional banks may find it easier to promote environmental reform than the World Bank. Even in 1973, Mason and Asher noted that "now after several years of public concern for the ecological consequences of economic expansion, the [World] Bank is taking a somewhat belated interest in this problem." (p. 469) They went on to say "that in some ways the regional banks have been more venturesome and experimental in their lending programs than has the World Bank." (p. 469) For instance, they noted that the IDB was eager to lend in fields such as agriculture, industry, water supply, and education "that the World Bank had neglected." (p. 580) Obviously years of experience do not always help the development of an environmental response. Because they are an ingrained part of the World Bank's fundamental character, certain long term lending practices may inhibit the successful incorporation of environmental concerns. For the World Bank, developing an environmental response has been a slow and difficult process. In this regard, with fewer habits to break, the regional banks appear more fortunate than the World Bank.

Today, these regional banks are more mature, more established. They are now in a position in which they can begin to offer more comprehensive environmental responses. As more time passes, the regional banks' responses should become stronger, perhaps even better than those of the World Bank.

Resources:

Aside from years of experience in the field, the World Bank also has a solid international reputation as a promoter of economic development. Internationally, the

World Bank ranks as the largest non-sovereign borrower and it has the ability to attain easily the financial backing necessary for its projects. The World Bank has built up a good financial rapport among borrowers, donors, and on international financial markets. These extensive relations enhance the World Bank's ability to initiate and promote numerous, large development projects. In addition, this MDB can rely on the assistance of a large number of qualified staff to distribute its money. World Bank staff are considered to be very professional. In the words of Mason and Asher (1973), "the Bank has acquired a staff unique among the international agencies" and that they "are respected for up-to-date knowledge in their fields of specialization, even where they are considered insufficiently aware of, or sensitive to, the special problems of a particular geographic region." (p. 71) When responding to the environment issue, the World Bank can confidently rely upon a wide range of resources being available for utilization. In the area of the availability and quantity of resources, the World Bank has another distinct advantage over the regional development banks.

The regional development banks have fewer high calibre resources than the World Bank. In fact, in order to attain more financing, regional banks have been forced to expand their membership to include richer countries from other parts of the globe. Compared to the World Bank, the regional development banks must work harder to attract and keep their staff. In order to attract finances, they must work harder in their operations to gain the confidence of donors and other lenders, in particular Northern donors and international financial markets. The lack of resources often inhibits the regional development banks' environmental responses. The financial resources and staff of the regional banks are quite limited, yet the environmental problems that they have to answer loom very large. Because regional development banks' available resources are spread thin, there may be less vigilant environmental monitoring. Like the World Bank, in environmental matters, they rely on the assessments of their regional offices and their field staff. However, environmental staff in the regional development banks may have an even heavier individual work load than their counterparts at the World Bank. The regional banks may also have to rely more on the "honest" word of their borrowers that they will look after implementing the agreed to environmental standards. Perhaps,

because of more limited resources, the regional development banks may even rely more on the NGO network, than the World Bank. The NGO network can provide some valuable field information for these three regional banks. However, through inter-bank cooperation, such as co-financing, regional development banks have an opportunity to increase their available resources and promote the environment. In these case, it is usually the World Bank and one of the regional banks who will collaborate on a project.

In another interesting twist, the regional banks' environmental responses may not be as restricted by financial commitments as the response of the World Bank. If one has fewer resources, then there may be fewer outside demands to inhibit environmental actions. The World Bank may become less venturesome in its environmental lending and reforms because of its "assumption that the eyes of the capital markets of the world are on it." (Mason and Asher, 1973: 258) In the past, with the need to show financial confidence and a high rate of return, the Bank chose to finance big projects, such as electric dams, and ignore smaller more socially oriented projects. For instance, the Bank did not begin lending in education until 1962. In their initial years, the regional banks appeared less concerned with the need to always fund big projects. In their project lending, they have maintained a wider concept of the development process. This is an advantage that has helped them in their environmental responses.

Constraints Unique to the Regional Banks

When compared to the World Bank, the regional banks' motivations and circumstances are different than those of the World Bank. However, as Mason and Asher observed (1973), "the difference among the Latin American, African, and Asian development banks are at least as significant as the differences between them and the World Bank." (p. 586) In each of the three geographical areas, the regional banks serve the same purpose but the methods that each employs are idiosyncratic. Thus, the next factors to be discussed play a greater role in influencing the regional banks than the World Bank. For instance, certain factors can impose benefits and liabilities that simultaneously improve and inhibit a regional bank's access to ecological expertise, to resources, etc. In addition, certain factors affect access to and relations with NGO

critics, donors, and borrowers. A comparison of the regional banks will elucidate how regional factors impact upon their environmental responses. Specifically, it will reveal how each regional bank's environmental response is conditioned by the location of its headquarters, by the interplay of its members, and by the presence of other overriding constituency concerns/issues.

Inter-American Development Bank:

In certain ways, the location of its headquarters motivates and even helps the Inter-American Development Bank (IDB) in responding to the environment issue. The IDB has its central offices in a Northern country and in a politically powerful city. At times, this location may allow them to respond quicker to donor criticism than the other two regional banks. For instance, its Washington, D.C. location provides the bank's central administrative offices with direct access to the government of its largest donor, the United States. However, this location also has its drawbacks. First, it allows for closer scrutiny of central environment operations by Northern NGOs. Second, its central offices may be too far removed from project sites. The long distance between Washington and Latin America can weaken the impetus to ensure the proper implementation of environmental reforms, the agreed to environmental loan conditions and the IDB's standards of environmental monitoring. In addition, the IDB senior administration run the risk of losing touch with the reality of its IDB recipients and field staff.

The IDB's environmental response is conditioned by the interplay among its members. Even though IDB headquarters are located in Washington, Northern donors are limited in their ability to influence the bank's decisions. In this bank the Southern members have a long history of being actively vocal. The Latin American nations hold the majority of regional memberships. Twenty-six Southern countries hold 53.76% of the total number of votes. Representing 34.66 % and 4.38% of the total votes, the United States and Canada are the only Northern nations holding regional memberships in the IDB. They are also the highest ranking members of the IDB's Northern donors. As for the other 17 non-regional members of the IDB, they hold only 7.20% of the total

votes. (IDB, 1992c: 110) Complementing their majority voting power, the Southern nations maintain several influential positions in the IDB. For instance, the IDB President has always been Latin American. It is not surprising that the Southern Latin American countries exercise strength within the IDB.

For obvious reasons, the IDB serves the various needs of the Latin American countries and is not controlled by the interest of its Northern donors. As there are so few Northern countries that are regional members, Southern nations have room to assert their own IDB agenda. They exercise a strong voice because Argentina, Brazil, Mexico, and Venezuela have more subscribed shares than the second largest Northern donor, Canada. As well, even though it has a very large controlling share in the IDB, the USA is not in a position to unilaterally dictate the IDB agenda. Without "a blocking veto" (Krasner, 1981: 315) the USA must build coalitions. If the four largest Latin American members take a stance against the USA, they can hope to challenge an American initiative. If they can bring the other 22 regional Southern members on side then the Americans' fate is sealed. In addition, their majority of regional memberships grants Latin American nations greater power as IDB recipients. When negotiating and setting loan terms and approving development projects, IDB recipients have more room to manoeuvre and may get the IDB to grant them greater leeway on loan conditions. Exercising dual powers, as donors and recipients, the Latin American nations are able to heavily influence the IDB's environmental policy direction.

Environmental reforms have been and continue to be a very sensitive issue within the IDB. The bank's staff must work cautiously and respect the process of consensual decision making. Its Southern members have not and will not automatically accept ecological conditionality in loans or all environmental reforms. At times, by manipulating their majority in the IDB, Southern governments have outmanoeuvred Northern countries and what they perceive as a Northern environmental agenda. In this policy context, the IDB has had to work with its recipients instead of forcing environmental reforms and initiatives through its system. Another factor that inhibits the IDB's environmental response is the presence of other overriding constituency concerns. The IDB faces other tremendous problems. Latin America is going through a social and

economic crisis, which according to the IDB is "the worst in recent decades." (IDB Environmental Committee, 1989: 2) The IDB has committed much of its financial resources and personnel to mitigating the effects of these hard times. However, despite these economic and social problems, the IDB has not been excused nor allowed to ignore the environment issue.

The fact that the Amazon rainforest is located within the IDB's jurisdiction has complicated bank matters. As the focus of global media attention, saving the rainforest has become a big issue consumed by the "Northern" public. Non-regional, political and economic pressures have been effectively exerted and the IDB has begun to initiate environmental reforms. On the positive side, the rainforest issue has opened up opportunities for the IDB. Public attention has brought more World Bank attention and the chance for co-sponsorship of project loans. For the IDB, this means that more financing has become available. This also means that they can now afford to do more environmental projects that otherwise might have been ignored. The attention has also opened up new opportunities for improved connections with Southern NGOs and brought forward suggestions for alternative projects that help to promote sustainable development. However, world attention and Northern demands to save the Rainforest have caused certain Southern governments to raise matters of sovereignty. The Amazon issue has agitated a lot of the IDB's recipients. For the IDB, this issue places stress on its relations with some of its major Southern members.

Asian Development Bank:

Even though its headquarters is in Manila, this has not provided any balance within the Asian Development Bank (ADB). Unlike the IDB, the ADB is overwhelmingly susceptible to the power and interests of Northern donors. The Bank is led by Japan, and it is always a Japanese citizen who acts as the Bank's president. Unlike the IDB, the Southern countries hold only a minority of the regional memberships and do not exercise real voting power. In fact, "the forces operating against the dominance of the [Southern] countries as a single group are rather strong." (White, 1972: 57) However, as John White (1972) warned, it is wrong to look at the Northern

members as a single dominant and homogenous group. The USA's and Japan's interest are quite distinct from nations such as Canada. As White believed, divisions among Northern nations allows for occasions when common positions can be taken by the smaller Northern nations and Southern nations.

In addition to internal structural constraints, the projects taken on by the ADB appear to focus on alleviating regional pressures. The ADB deals mostly Southern countries whose populations are very young and fast growing. In fact, developing member country (DMC) population has nearly doubled since the ADB formation in 1966 and is expected to increase by another 40% in the next 15 years. (ADB, 1992b: 27) The ADB faces the real possibility of severe population stresses in several of its Asian Pacific areas. As well, the ADB must contend with the pressure that the best exports for countries such as Malaysia are those related to tropical timber.

As in the case of the IDB, the ADB's environmental responses are also conditioned by overriding constituency factors. Because of the overwhelming influence of Northern donors, the ADB's environmental response may be driven more by the desires and directions of a Northern environmental agenda than a Southern one. As well, issues such as population pressures, ensuring economic growth through exports, and feeding and housing a growing population are great regional pressures bearing down on the bank. To provide solutions to these problems, the ADB projects have focused on energy and agriculture projects. However, it seems many of these projects are also causing environmental devastation. This has resulted in not only an increase of environmental destruction, but a rising number of environmental refugees. Of all the regional banks, the ADB seems to be more interested in sponsoring environmental initiatives if there is the incentive that there will be an immediate economic return.

African Development Bank:

The fact that African Development Bank's (AFDB) headquarters are in Africa in the midst of its borrowers has advantages and disadvantages. On the positive side, problems may seem more real for the Bank and its officials. In addition, unlike the IDB and ADB, its African location "permits it greater latitude." (Mingst, 1987: 288) Because

the bank's donors are farther away and perhaps less interested in asserting their ideas, the recipients and the bank have more room to move. Unfortunately, the twist to all these good points is that the AfDB sometimes has to work twice as hard to attract attention to its developmental plight. Having its donors removed, means that the Bank must work harder to gain and keep the financial confidence and attention of its donors and international markets. For instance, in 1984, the AfDB realized that in order to deal with the immense developmental and environmental problems of its region, that it was necessary to capture a greater percentage of capital. For the African members, the opening up of membership to non-regional, non-African countries was an undesired but necessary measure.

Of all the regional development banks, the AfDB's overriding constituency factors profoundly impact on its environmental response. The AfDB works in a region that contains several of the poorest of the poor nations in the world. The Bank must work with nations with limited or crippled infrastructures. As well, these countries may have limited government control or are in the midst of a civil war. Most of the AfDB's recipients countries often have large, malnourished, and ill-housed populations. Many of them are facing problems associated with a mass exodus from rural lands and an increasing, under-serviced urban population. The worst part for the AfDB is that it must adjust to the reality that large areas of environmental devastation already exist in Africa. Unlike the other Banks, the AfDB must attempt to try to deal with an environmental problem that is currently at a point of negative zero. With limited resources and such great problems, the AfDB's environmental efforts are impaired.

What does an Inter-Bank Comparison Indicate?

Because of the inter-bank comparison, certain conclusions have become obvious. First, each multilateral development bank has developed a certain type and quality of reaction to the question of the environment. Second, they are all on a different time schedule for implementation of environmental policy and reforms. Third, each MDB does better at responding to certain facets of the environment issue and does more poorly at responding to other facets.

If the regional development banks have to compete against the World Bank, then the accumulated experience and expertise of the World Bank give it a distinct advantage in responding to the environment issue. Although it has advantages, this does not necessarily translate into effective policy. It should be able to cope better with the environment problem. It seems correct for more expectation to be placed on the World Bank. It should provide leadership on the issue. It does not always do so.

In an attempt to provide an effective environmental response, the World Bank could make sure it continues to maintain good working relations with the regional banks. Presently, the World Bank and the AfDB continue to increase and strengthen their collaborative efforts. Joint initiatives have reportedly tripled since the mid-eighties from $170 million in 1985 to more than $525 million in 1991. (World Bank, 1992: 101) The World Bank and the ADB relations appear to be well maintained. The uniqueness of their relationship is that generally they do not co-finance specific projects but instead do parallel financing of separate projects within a sector. In 1992, they have been working quite closely on the problems of Cambodia. (World Bank, 1992, p. 101) It is the IDB and the World Bank that have the closest working relationship of all. The IDB is the largest multilateral co-financier of Bank-assisted projects. In fact there were 14 of them in 1992. (World Bank, 1992: 101) This relationship goes beyond just co-financing. Since 1990, the staff of both institutions have jointly participated in several preparation, pre-appraisal, appraisal, and economic sector review missions. There has been periodic consultation on operations, information sharing, and formulation of initiatives are integral parts of the cooperation between these two banks. In addition, senior staff hold monthly meetings to follow up on major issues affecting both institutions. (World Bank, 1992: 102)

Despite evidence of cooperative relations, the World Bank and the regional MDBs have their differences. In the issue of the MDBs and the environment, the World Bank is at times a patronizing mentor who has carved out the first path of action. Its younger protegees, the regional banks, are often not willing nor capable of following the exact same path as the World Bank. Due to timing and circumstances of their graduation into responding to the environment question, the regional development banks are charting

their own courses.

The IDB's attention and treatment of the environment question since 1989 is commendable. The environmental working papers that it has coordinated show that planning, discussion, and consultation with a wide variety of international bodies is productive. It is also noteworthy to see that the IDB President is now coming out and publicly supporting environmental reforms. This bank has been kept on its toes with the Amazon issue, and according to recent NGO reports appears to be remaining vigilant.

What in comparison has limited the ADB's potential for introducing environmental reforms? Although it can not compete with the World Bank, the ADB has unimpaired access to financial networks and possesses a choice professional staff. Compared to the AfDB, the ADB cannot legitimately claim that limited access to resources impedes it environmental response. By having more people than the Latin American and the African regions combined, the Asian region is an environmentally sensitive one that needs to be protected. Although they have not yet used their resources to their fullest extent, the ADB can help its region to avoid the catastrophe of Africa. The ADB should be asked and actively encouraged to do more in the Asian region on the environment issue.

Of all MDBs, the AfDB capabilities are still maturing. The AfDB is starting out at minus ground zero, in a position of severe environmental devastation. It must work even harder to regain ecological control. However, it is limited by its late start, limited capabilities, limited resources, and its constituency. Because there are costs in carrying out environmental projects, the Bank is in a real bind. Should it try to feed its people or should it divert some of these funds to ensuring protection and improvement of the environment? When the AfDB is faced with feeding people or installing additional environmental equipment in a project, peoples' basic needs win out. Perhaps, if one is able to fit the environment into basic needs then maybe the AfDB would be better able to justify the cost. However, just because the AfDB has too much to accomplish with their limited resources, this does not provide the excuse to do nothing. As they obviously have too much to handle on their own, the AfDB may need more concerted international help. Positive signs are that the World Bank has recognised the special

features of the African region and that the African region is purported as having the largest number and greatest share of NGO assisted projects. (World Bank, 1992: 98) These channels of help should be maintained. As well, the AfDB could be asked to provide more concrete environmental planning. In addition, they could be encouraged to make sure that they do not postpone improving their response to this issue.

Chapter Summary

There is a broad spectrum of internal and external factors that influence the MDBs' environmental responses. These factors act as constraints on the MDBs and their environmental initiatives. Whether internal or external, constraints affect each of the four MDBs in different ways. As a result, each bank provides a distinct environmental response. For this reason, one broad general environmental solution cannot and should not be applied to all MDBs. Each MDB must be evaluated as unique institution and then specialized environmental solutions applied. What will work in the IDB will not always work in the ADB, nor what has worked in the World Bank will not necessarily be applicable to the regional banks. A higher appreciation of the MDBs' differences should bring better understanding of what ails these institutions. A fuller understanding of the MDBs should allow for a better diagnosis of the MDBs' environmental problems and hopefully lead some observers/critics to offer more appropriate environmental solutions to the MDBs.

What Has been Learned About the Topic of the Environment Issue and the Multilateral Development Banks?

In the nineties, the concerns of environment and development have been amalgamated under one concept, sustainable development. The MDBs recognize and accept the legitimacy of sustainable development, but this process has been neither voluntary nor simple. Because of the concerted efforts of certain NGOs, MDB donor governments, and IGOs, the banks have been pressured into reevaluating their environmental positions. Many complex factors influence these institutions' attempts to create and develop environmental responses. By attempting to strengthen their

environmental policies, structures, and activities, the banks have tried to change those elements which are firmly within their control. They have made institutional adaptions, committed more finances to environmental lending, attempted to include NGOs in more operations, and increased their participation in international environmental activities. Despite their initiatives, many MDB critics seem to believe that the MDBs' environmental responses remain insufficient. They continue to criticise the banks and pressure them to initiate further changes.

What has constrained the MDBs' responses? Certain elements remain beyond the MDBs' control. There are internal constraints which inhibit the MDBs, such as bureaucratic conflict, articles of agreement, and competing goals. However, it is not only these institutional factors which impede progression on environmental issues. The most importance barriers MDBs face are the political pressures exerted by external parties. The MDBs' responses have been constrained by the simultaneous and often contradictory demands of their constituencies and the international community. It is only if and when these external forces are willing to sponsor a cooperative dialogue that the MDBs can really try to improve their environmental responses.

In the meantime, what should happen? Environmental advocates should continue to actively scrutinize the MDBS. In order for their efforts to be most effective, they are encouraged to avoid generalities and create solutions that are MDB specific. Even though they are similar in several ways, the MDBs are different. Broad generalizations can be made about the MDBs that help one to understand the factors inhibiting their environmental responses. However, it is inappropriate to leave discussion there. For each bank, there are unique circumstances which temper environmental responses. Certain constraints which exist in one bank are not necessarily a problem within another bank. In the search for environmental answers, solutions must be developed for the individual bank and not prescribed a general remedy for all banks. As well, the recommendation for the banks is that they should continue to try to improve their environmental responses. Even though they face certain institutional and political constraints, they are encouraged to remain committed to the concept of sustainable development.

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